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# China Report

ECONOMIC AFFAIRS

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19 September 1985

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NATIONAL POLICY AND ISSUES

SUMMARY OF VIEWS FROM OPEN DOOR POLICY SYMPOSIUM

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 2, 10 Feb 85 pp 25-29

[Article: "On the International Environment of China's Open Door--Summary of Views at the Symposium on World Economics of Young and Middle-Aged Research Workers"]

[Text] The Symposium on World Economics of Young and Middle-Aged Research Workers was held 13 to 15 December 1984 in Beijing. Over 70 representatives of young and middle-aged research workers in world economics throughout the country attended the meeting.

The central theme of the symposium was: the world economy and China's economic restructuring and open door. The emphasis was on the question of opening up to the outside world. Adhering to the goal of "liberating the mind, daring to explore, and suggesting ways and means for the party and government," representatives at the meeting held extensive and in-depth discussions on the questions of reform and the open door and offered some policy suggestions. At the same time, they made positive inquiry into further initiating new prospects for the study of world economics, opening up new research areas, strengthening the construction of research contingents in world economic theories and relations among young and middle-aged research workers in world economics. The following major views were discussed:

I. Theoretical Basis of China's Open Door

The first view holds that there are two major aspects to the theoretical basis of the open door, namely, the theory of commodity economy, and Lenin's theory of the New Economic Policy [NEP]. Those who disagree with this view have pointed out that the NEP was a product of specific Soviet historical circumstances, and theoretically, it was regarded by Lenin as "one step backward" from socialism, different in nature from what we currently emphasize as a socialist open door.

The second view holds that there should be three aspects to the theoretical basis of the open door: (1) From the point of view of a commodity economy, China is still essentially a closed system with a rather strong inertia to develop internally. The character of this closed system is created by many factors such as the industrial structure, supra-economic control, currency and

monopoly. The basic characteristic of a closed economy is exclusive internal circulation, and its external economic relations are based on such natural economic principles as supplying each other's needs. However, the development of a commodity economy itself continuously creates objective demands for breaking through regional boundaries and pursuing circulation with the outside. This is precisely the theoretical basis for our proposal to develop two markets, use two kinds of resources and learn two sets of skills. (2) From the point of view of international division of labor, the different roles played by different countries in the system of international division of labor determine the form and extent to which a country opens up to the outside world. However, international division of labor is a dynamic process; only an open economy can adapt to such changes and make corresponding strategic and policy adjustment. Obviously, a closed economy does not have such a function. Opening to the outside world is an inevitable demand of international division of labor. (3) From the point of view of the national economic structure, a particular industrial structure is always based on a particular structure of resources. The industrial structure of a closed system relies on its domestic mineral resources, but as production develops to a certain point, demand will inevitably shift from domestic mineral resources to international S&T resources, and the readjustment of the industrial structure itself will also objectively call for opening up to the outside world.

The third view holds that the theoretical basis of the open door does not lie in one particular theory or several aspects, it is rather a "group of theories." This "group of theories" has three sources: (1) Marxism-Leninism, which includes the theory of the world market, the theory of international division of labor, and Marx's theory of the reproduction of social capital--this theory reveals what the reproduction ratio of one kind of open system can achieve and how it can achieve dynamic equilibrium by opening up to the outside world. (2) Modern international economics, including comparative profit theory, and theories concerning commodity economics, currency and finance; in reality they indicate the general characteristics and laws of open door. Since we admit that our national economy is a planned commodity economy and that demand for and tendency toward opening up do exist in our commodity economy, then similar general characteristics and laws of commodity economies of all other countries which are open to the outside world also exist. Therefore, international economics naturally became one of the theoretical bases for China's open door. (3) The descriptions and applications concerning open systems proposed by contemporary science and technology and their methodology (such as waste structure theory and its experiments) also provide a theoretical basis for our understanding of the open door question.

The fourth view holds that in order to understand the inevitability of opening up, we should focus primarily on the trends of internationalization of postwar economies. Such trends are mainly manifested in the areas of production, markets, technology, mobility of talent, funds, and information. Facts have shown that the development of multi-level internationalization of the postwar economy has demanded the opening up of every country and region; open doors have become a trend in the world.

The fifth view holds that the theoretical basis of the open door is in the final analysis the development of the social productive forces; when social

productive forces have reached a certain point of development, they are bound to demand breaking through regional boundaries. This is a crucial point; all else is of secondary importance.

The sixth view holds that the theoretical basis of the open door is the law of disequilibrium in current world economy and politics.

## II. Current International Environment of China's Open Door

A. Is a bleak international environment or a prosperous international environment ultimately more beneficial to China?

In recent years, it has been a popular view in China's economic circles that the prolonged world economic depression which began in the early 1970's was beneficial for China's opening up. Consequently, the case for exploiting this crisis was reflected in policy propaganda as though this economic crisis of the West or even a bleak international environment provided an opportunity for China to open up. Some comrades advanced entirely different views on this. They consider an international economic environment plagued by prolonged depression to be a major obstacle to China's opening up; and to the contrary, a high growth rate of the world economy is more beneficial. From past experience, world economic prosperity after the Second World War spurred the economic takeoffs or high-speed growth of quite a few countries and regions, such as Japan's "base the nation on trade," the rapid rise of the "four little tigers" of Southeast Asia, as well as Africa's "Ivory Coast miracle," South America's "economic meteor" of Brazil and so forth.

Admittedly, China has missed this rare opportunity. Theoretically speaking, a prosperous world economy means rapid market expansion, thereby curtailing competition and weakening protectionism. Moreover, in times of prosperity, technological advance accelerates, renewal of products becomes frequent, the original market monopolies are often weakened, late-comers may adapt to the changes in market demands and directly create or enter new markets. To China, an expanding international market may be the prelude to a benign cycle: exports increase, which sets the stage for the introduction of foreign capital and expansion of imports; while the use of foreign capital and expansion of imports will increase the competitiveness of China's export goods and further increase its exports. Of course, there will be unfavorable factors, but at least the contradiction between China's opening up and the shrinkage of the international market resulting from a prolonged world economic depression will be mitigated.

Some comrades pointed out that crisis exploitation is in fact a Soviet model. There were actually two preconditions to the formation of the Soviet crisis exploitation model in the early 1930's: gold reserves, and the state of international trade at that time. From what we see now, a major limiting factor to China's open door is the balance of foreign exchange; the basic solution to balancing foreign exchange is to increase foreign exchange earnings. The fundamental way to increase foreign exchange earnings is to expand exports; therefore the key to the problem is to rely on export growth to determine the extent of China's open door. In a certain sense, the extent to which a country can maintain equilibrium in its foreign exchange is the

extent to which it can open up itself. Obviously, taking this as a precondition, it is not a bleak international environment but a prosperous one that is more beneficial to China.

B. Analysis of favorable and unfavorable factors in the current international environment for China's open door.

1. Favorable factors

(1) The progress of the new technological revolution in the world provides China with an international environment where a new economic strategy with the exchange of resources as its core can be realized. (2) The rise of the Pacific region objectively placed China's international status into an advantageous geographic position. It should be noted that while the rise of the Pacific region as a trend is an objective reality, it is a slow process that will be long in coming to fruition. (3) Postwar international economic cooperation and the growing trend of integration have accumulated important experience and initiated the basic conditions for the cooperation of different systems and different economic forms in the world. (4) According to some authoritative predictions, the world economy will experience a period of medium or slow growth in the next 11 years, which will constitute favorable conditions for China's opening up. A tentative estimate concerning medium-rate growth: During 1985-1995, the average growth rate for developed countries will be between 3 and 4 percent and that of developing countries will reach 4 to 5 percent. While we cannot discount the possibility of a world war by the end of this century, the chances are remote. Undoubtedly, a relatively stable and peaceful international environment is the most important external condition for China's opening up.

2. Unfavorable factors

(1) The rise of protectionism. (2) The monopoly of technology continues to exist as a trend; consequently, our strategy of "exchanging markets for technology" may end up giving away our market but getting no technology. In other words, after we have absorbed foreign capital and opened up our domestic market, the result may be unfavorable to us with the real link of high technology very possibly remaining abroad and the marketing links shifting to the interior of China. We must sufficiently appraise the situation and be adequately prepared. (3) The environment of international indebtedness is primarily a matter of high interest rates, which have effectively restricted China's use of indirect overseas investment to maintain foreign exchange reserves. (4) The competition among Asian countries and the intensification of competition in the Pacific region, the open door strategy currently adopted by developed countries, and China's open door strategy, will form a relationship of mutual influence and mutual restriction. The eastward strategy and southern development of Japan, for example, will most certainly have an effect on China's coastal development.

In short, the basic train of thought in considering the current international environment for China's open door is: the way we choose to open our door is only one aspect of the matter; a more important aspect is the way the current and future international environment will allow us to open up and what form of open door it may lead to. Obviously, the latter aspect is more important.

### III. Some Policy Suggestions on Open Door and Reform

#### A. The question of macroeconomic policy coordination in the process of opening up

1. The question of macroeconomic policy coordination. Studies and investigations indicate that the opening up of the open coastal areas cannot follow the model of Shenzhen and Shekou. The opening up of China may very likely occur at three levels: the first level is the opening up of development zones and special economic zones; the second level is the opening up of coastal cities; and the third level is the opening up of the interior. In reality they form a multi-level, multi-form and multi-channel system in China's open door. In the course of future development, it is most likely that three different open door models will be formed for development of special economic zones, coastal cities, and the interior. On the foundation of their own open door, the three different models express their own particular strengths and dependence: the opening up of the interior will primarily depend on resources; the opening up of coastal cities will primarily depend on the technological transformation of old enterprises, which will also involve existing market channels and sales networks; the opening up of economic development and special economic zones will primarily depend upon special policies. The three levels, three models and three types of superiority together with a unified domestic market may be the embryonic form of China's open door model.

2. Macroeconomic circulation of funds. Under the closed and planned system of the past, the issue of free circulation of funds did not exist. Financial allocation was the chief or even only sources of construction funds raised by the state and local authorities. However, under the open door and reform, following the increase in floating funds and deposits, there will objectively exist two types of funds for circulation. The first is the flow of funds from low-consumption areas to high-consumption areas; the second is the circulation of funds from the interior to the open coastal areas. Actually, the implementation of the "exchange market for technology" strategy faces the same problem because a basic demand of this strategy is two-way interflow of funds. If macroeconomic coordination of fund circulation is lacking now, a one-way flow of funds will appear. Since the open coastal areas are also high-consumption areas, the so-called market concept always associates with consumption. Therefore, this one-way flow of funds is bound to further enlarge the gap in the level of economic development between coastal and inland areas and affect the distribution of productive forces in these areas. The resulting imbalanced development may form a "bivalent structure" in the entire national economy. In view of this, it seems that macroeconomic coordination of fund circulation should consider combining the open door with the restructuring of the banking and financial systems, making flexible use of the interest rate lever and adjusting the ratio of reserve funds, or in concrete terms, whether we can consider forming differentiation by regions and by items in the interest rates for goods in stock, making the reserve fund ratio a changeable and adjustable monetary policy, and designing a way to coordinate the relationship between financial allocation and bank loans based on regional consideration so that there will be an inward flow of funds,

genuinely constituting an orderly "two-way interflow" of funds between coastal and inland areas.

#### B. The question of monetary policy

From what we can see now, the area of finance has become the converging point of contradictions arising from the open door and reform. First, it was the restructuring of the pricing system that encountered obstacles at the gateway of finance; second, restructuring of the financial system resulted in the gradual separation of monetary functions from finance; third, the open door has created new demands on finance.

1. Currently, the financial policy management in China's opening up is basically asset management. However, an objective trend of change from primarily asset management to primarily liability management has already emerged in international finance. China's financial policy should adapt to this trend and implement the change from asset management to liability management.

2. Selectively establish "offshore financial centers." For example, study and verify whether Shanghai may once again become a financial center in the Asia-Pacific region.

3. Adjust foreign exchange rate policy. One view holds that the basic direction of development of China's exchange rate policy should be shifted from focusing on a "basket of currencies" to "self-initiated float" which better suits the needs of China's opening up. The basis for "self-initiated float" is: (1) the state of China's economic development; (2) the state of international balance of payments; (3) the structure of the import-export trade; and (4) the objective of the open door in a definite period of time, that is, management by objectives.

4. Balance of foreign exchange. Along with the opening of China to the outside world, the question of balance of foreign exchange will become more critical. Both macroeconomic and microeconomic approaches should be taken to coordinate it, which specifically involves the setting up of quotas for imported products, their domestic sales channels and the readjustment of foreign exchange management and reserve structure. Of course, the basic solution to achieve a balance in foreign exchange is to increase foreign exchange earnings through exports.

#### C. Foreign trade policy

1. In view of the current state of the open door, expanding exports in order to create more foreign exchange remains the main issue. Under these circumstances, open coastal cities must serve two functions as "bridge towers," first in technological import and second as export bases. This will involve the question of key industries in China's development of export trade. Judging by joint venture projects successfully negotiated in recent years, the technological transformation of open coastal cities has focused on two areas, light industrial products, and the food industry. Even though it has been suggested that machinery and electrical items should be emphasized in China's

exports in the long run, light industrial and food items will dominate in the short and medium term.

2. Macroeconomic benefits of exports. In view of the readjustment of the industrial structure and the possible changes in the industrial structure resulting from the open door, we should change the practice of setting upper limits for unified exchange conversion costs, recalculate comparative costs, coordinate the differentiation and connections in exchange conversion costs for short-line and long-line products and truly establish on a scientific and long-term basis macroeconomic benefits that improve exports.

3. Restructuring of the foreign trade system and of the overall economic system should be synchronous and complementary. Implementing an import-agent system before the economic system is entirely restructured is not conducive to the formation and consolidation of a unified domestic buyers' market; it might affect the specific implementation of the "exchange market for technology" strategy.

#### D. Implementing the "exchange market for technology" strategy

There are actually five basic links in the implementation of the "exchange market for technology" strategy: (1) domestic sales volume; (2) structure of products for the domestic market; (3) domestic sales channels; (4) direction of flow of products for the domestic market; and (5) pricing of products for the domestic market. Three aspects of the principle of control should be suggested for these five links: (1) Control the total domestic sales volume but not the prices, making domestic sales a leverage for the overall arrangement of domestic productive forces and for the improvement of economic results of domestic enterprises. (2) Control the structure of products for the domestic market but do not pursue the policy of foreign trade sales contracts. (3) Control the regional flow of products for the domestic market while adjusting the flow of domestic products and their corresponding overall arrangement of productive forces. The idea connecting all these is: the "trade market for technology" strategy should be combined with the structural adjustment of domestic products as well as the restructuring of the domestic circulation system.

Concerning domestic sales channels, three forms have been proposed for adoption: (1) Use existing domestic circulation channels as much as possible, opening channels for products for the domestic market. (2) Open up domestic sales channels by means of joint ventures and link up horizontal connections among enterprises. Specifically, consider forming trade corporations with joint capital, through which it is possible to obtain domestic funds, information and techniques of circulation management. (3) Encourage foreign businesses to develop their own new sales channels. This would require the formation of commercial complexes in major domestic commercial districts and the construction of multi-storied trade buildings and large commercial buildings, surpassing the model of the Guangzhou Trade Fair, and forming regional commercial centers.

#### IV. Some Views and Suggestions on Strengthening World Economics as a Discipline

A. Strengthen the unity of theory and practice. China's research workers in world economics must use various effective means to understand world economic changes comprehensively and in a timely manner. The backward state of sole reliance on a few journals and newspapers in the study of world economics must be rectified as quickly as possible. Research workers in world economics should closely watch and actively participate in China's great undertaking of opening up and economic restructuring and strive to serve more directly and effectively this undertaking with the results of their own research.

B. Advocate producing achievements and talent in two areas: the first is to strive for new breakthroughs in the study of basic theories in world economics, forming a Chinese school in the study of world economics; second, enable the study of the basic theories of world economics to even more directly serve reform and the open door, and strive to produce within a short time a series of books on world economics that are of more practical use to economic workers.

C. The study of world economics should be directed to influencing policy formulation rather than policy interpretation. At present, the most important task is to provide correct theoretical explanations and realistic policy proposals.

D. Actively develop new research areas in the study of world economics, advocate new research methodology and modern research techniques.

E. Develop diverse forms of joint topical research projects.

F. Resolve the problem of disproportion in the training of graduate students in world economics as quickly as possible. Provide more advisers for doctoral candidates in world economics and draw up regulations for the testing of self-taught doctoral candidates.

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## NATIONAL POLICY AND ISSUES

### YU GUANGYUAN URGES SUPPORT FOR ECONOMIC RESEARCH

HK010835 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 85 pp 16-22

[Speech delivered by Yu Guangyuan [0060 0342 6678] on 2 May 1985 at the opening ceremony of "China's Socialist Economic Theories in Retrospect and Prospect" Symposium: "Research in Economic Science Should Be Specially Encouraged"]

[Text] This symposium has two items on the agenda: Presentation of awards to authors of outstanding theoretical articles published by JINGJI YANJIU and an academic symposium entitled China's Socialist Economic Theories in Retrospect and Prospect conducted in commemoration of the 30th anniversary of JINGJI YANJIU.

The purpose of presenting awards is to give encouragement, and the purpose of looking back over the past is to sum up experience. Encouragement and summing up of experience are two interrelated issues. Both are aimed at providing us with more reason to anticipate the future of the four modernizations. I think that the arrangements made by the organizers of the symposium are very appropriate.

I believe everyone will agree with me that research in economic science is work that should be specially encouraged. Socialist construction, particularly economic construction, urgently requires the guidance of economic science. Since socialist economic construction has a history of less than 70 years in the history of mankind, many branches of economic science that constitute the science of socialist construction are still being set up and developed. There are many questions to be studied in economic science, and we have already encountered many difficulties in our study. The public, particularly party and government organs at various levels, must fully understand the importance of research in economic science and give great encouragement to this important yet arduous work. Thus, in summing up historical experience, I think we should first review the encouragement given to economic science in the 30 years and more since the founding of the PRC.

In economic science as in other work, history should be reviewed in two stages: The stage before the 3d Plenary Session of the 11th CPC Central Committee and the stage after.

It is not true to say that economic science and the workers engaged in it were not given any encouragement prior to the 3d Plenary Session of the 11th CPC Central Committee. But, I suggest that comrades attending this symposium should review encouragement given in this respect. The Economics Institute of the Chinese Academy of Social Sciences and the Editorial Department of JINGJI YANJIU should also collect relevant data in this regard. We must strive to be objective when we review historical facts. But, as I recall, economic science and workers engaged in it were not given much encouragement. I have never left my work post in science organizations in all these years since the founding of the PRC. I would say I know a lot about the goings-on, but the impression I have is that we have had more criticism than encouragement. The encouragement given to research in economic science is far from commensurate with the importance of economic science. There is no doubt about this. As I see it, the greatest encouragement that can be given to scientific research and those carrying out the job is to provide the researchers with better working conditions so that they can achieve fruitful results in their work and so that their labor can play its proper role in socialist construction. As for the living conditions of scientific researchers, they refer in part to the needs for subsistence, enjoyment, development and asserting oneself that all of us care about; the other aspect in fact has to do with working conditions.

The needs of economic science researchers are two-fold. On the one hand, they simply want opportunities to lay their hands on actual data, assurances of sufficient time to carry out their research, assistants, and other necessary services (such as transcribing, copying and typing), which are basically material conditions. On the other hand, they want a favorable political atmosphere in which to carry out academic research, a fine style of study, and other spiritual conditions. Problems relating to these two areas had not been properly resolved prior to the 3d Plenary Session of the 11th CPC Central Committee. We may even say that they were poorly handled.

I do not intend to go into too much detail in relation to the first aspect. For example, despite repeated proposals in the 1950's and 1960's to set up a research library for economic scientists, nothing was done about it. Even the cleverest housewife cannot cook a meal without rice. Our economic scientists are not entirely to blame for China's failure to integrate economic science with realities. As to the second aspect, I think there are many things worth looking back on.

Today we are celebrating the 30th anniversary of the publication of JINGJI YANJIU. This economic journal, the oldest and most influential of its kind in our country, was first published in 1955 on the eve of two great historic events. The first was the basic completion of China's socialist transformation and its entry into the period of construction. The second was the removal of the Stalin personality cult. Both events took place in 1956. Thus, there was a fairly keen atmosphere of contention of different schools of thought at the time of the inauguration of this journal. However, before this excellent situation had been turned to good account, the anti-rightist struggle broke out in 1957. The atmosphere was enlivened for a short while in early 1959, but before long, in the fall of the same year, the struggle

against right opportunism broke out. In short, political movements and criticism never ceased. It was before the "Cultural Revolution" that Comrade Sun Yefang [1327 0396 2455] was criticized. We need say nothing about what happened during the decade of the "Cultural Revolution." Thus, except for a few brief spells, we never really have developed atmosphere of academic freedom and the contention of different schools of thought necessary for the development of economic science.

Lately, I have been recalling two important academic meetings held during the period of contention of a hundred schools of thought in the 1950's. The first was the symposium on genetics held in Qingdao in the summer of 1956. It was a symposium held by the Chinese Academy of Sciences and the Ministry of Higher Education with the help of the Propaganda Department under the CPC Central Committee after Comrade Lu Dingyi [7120 1353 0001] delivered his report on "Letting a Hundred Flowers Blossom and a Hundred Schools of Thought Contend" at the Huairan Hall. The symposium was a successful one. In the Soviet Union, a symposium on genetics was also held in the name of the All-Soviet Lenin Academy of Agricultural Sciences in 1948. This was a symposium in which the Morgan School of Genetics was attacked, stigmatized, and criticized under pressure, and was a classic example of the despicable treatment of scientific work and scientific workers. The Qingdao symposium implemented the policy of letting a hundred schools of thought contend and gave tit for tat. Because the minutes of the 1948 Soviet symposium were published in Moscow and were soon translated in our country, we also kept a detailed record of the 1956 Qingdao symposium, which was afterward published by the Science Publishing House (but was not made available to the public). The records of this successful symposium which saw the contention of different schools of thought, together with relevant historical documents, have recently been turned over to a publishing house and will be published in a few months.

The second symposium was the symposium on economic theories held in Shanghai in 1959. The symposium discussed two topics, namely, the question of commodity production and the law of value, and the question of piece rate wages. Although this symposium did not do very well in implementing the policy of letting a hundred schools of thought contend, it was nevertheless an occasion which brought our economic scientists pleasant memories. It was a real pity that the symposium was held on the eve of the struggle against right opportunism and we were unable to carry on the discussion. If liberal academic discussions like the 1959 Shanghai symposium could have continued, the theoretical issues clearly defined in the recent reform of China's economic structure would have been resolved many years ago.

Of course, our inability to develop a situation where a hundred schools of thought could contend at the same time in the many years prior to the 3d Plenary Session of the 11th CPC Central Committee has a lot to do with our general guiding ideology at that time. However, there were times when our guiding ideology was quite clear. For example, in the 1960's (I forgot which year), the minister of the propaganda department, Comrade Lu Dingyi, asked Chairman Mao for instructions about academic writings. Chairman Mao said: Even if we had Marx as our minister of propaganda and Engels and Lenin as the

vice ministers, they would not have been able to look into everything. We should let a hundred schools of thought contend on academic issues. I remembered this some years ago. At that time I specially asked Comrades Lu Dingyi, Zhou Yang, and Lin Jianqing [2651 3386 7230] for confirmation. They said that Comrade Mao Zedong had indeed made such comments (which had been transmitted by the Propaganda Department), but no written records were kept. However, we have something else in our records. In the "Selected Letters of Mao Zedong" published the year before last was a letter which mentioned that after the Qingdao symposium on genetics, Li Ruqi [2621 3067 3217], professor of biology at Beijing University, had written an article praising the symposium. ("Letter to Hu Qiaomu," "Selected Letters of Mao Zedong," People's Publishing House, 1983 edition, p 526). The article was first published in GUINGMING RIBAO. After reading it, Chairman Mao suggested that RENMIN RIBAO reprint the article and wrote a note on behalf of the RENMIN RIBAO editorial department. He also had the title changed to "The Only Way To Develop Science." Some of Chairman Mao's remarks were correctly and [words indistinct] put, but these were not always carried out. This also shows that the idea of academic freedom is not all that firmly established. Our failure to adhere to the policy of letting a hundred schools of thought in scientific work before and during the "Cultural Revolution" had a lot to do with this state of mind of Comrade Mao Zedong's.

Earlier, I mentioned the criticism of Comrade Sun Yefang. That was carried out at the instruction of Chairman Mao. At that time both the Propaganda Department under the CPC Central Committee and the HONGQI magazine had actively carried out Chairman Mao's instruction. I was reprimanded because I had said nothing about criticizing Comrade Sun Yefang. Now I would like to point out that at that time I was not against criticizing him. I want to say this because I have to point out that in those days no one, including myself, was aware that the unfolding of mass criticism on academic issues should be opposed. During the Spring Festival of 1983, I went to the hospital to visit Comrade Sun Yefang shortly before his death. At that time, his health was deteriorating and he had difficulty talking. Out of gratitude, he said "Thank you, Guangyuan" to me. I did not understand what he meant by this. Someone by his side told me that he knew of my appeal to learn from Comrades Sun Yefang at party branch meeting at the Marxist-Leninist Institute under the Chinese Academy of Social Sciences, which was published by the party committee of the institute. After the meeting, I also delivered a report on learning from Comrade Sun Yefang on another occasion in Kunming. He knew about all these. The comrade nursing Comrade Sun Yefang said Comrade Yefang wanted to thank me for praising him. Thus, I leaned over his pillow and told him in a loud voice (because his hearing was already very bad) what I had said in Kunming. 1. "You are seriously ill"; 2. "You have the style of a proletarian scholar"; 3. "I am willing to publicize your correct viewpoints"; and 4. "You and me" (Sun Yefang and Yu Guangyuan). After telling him these four points, I said a few more words on the fourth point. Speaking next to his ear, I summed up what had gone on between us. We had double ties before the "Cultural Revolution." First, we were both economists. Second, we both worked for science organizations. As an economist, I had not done any actual economic work before the "Cultural Revolution." I had always worked in ideological departments, concentrating on theoretical aspects of work. Thus, I had not paid sufficient attention to the proposals put forward by you,

Comrade Yefang, on the reform of the economic structure. Although I did not oppose you, I did not give you enough support. After the "Cultural Revolution," I no longer worked in ideological departments and began to pay more attention to actual problems. I was able to think in terms of what local secretaries, provincial governors and central economic department heads thought, and began to see your proposals on the reform of the economic structure in a better light. While we both worked for science organizations, you were head of the Economics Institute while I was head of the Science Section under the Propaganda Department. My unit was at a higher level. When the Propaganda Department and the CPC Central Committee criticized you, I did not object. I told Yefang: I have no intention of making a self-criticism today because at that time it was impossible for me to object to the criticism directed against you. To begin with, I did not have this understanding. I thought that what you had said was open to question. (On this point, what I had not said then was: Although you denied that you advocated putting profits in command, people thought you did, and I thought people had reasons to think this way. I also thought the criticism of putting profits in command was not to be questioned. At that time I did not understand that although we have reasons not to endorse putting profits in command--and I still do not approve of the idea--we should not have raised the slogan of criticizing the idea of putting profits in command. Not approving of the idea of putting profit in command and "criticizing the idea of putting profits in command" are two different things. As a result of raising slogans like "criticizing the idea of putting profits in command," people will be afraid of grasping profits. Not approving of something and calling for its criticism are two different things. I came to this realization only when I summed up experience in the criticism of putting profits in command, and did not understand this when Sun Yefang was criticized.) Second, at that time I still thought that Chairman Mao was infallible. When Chairman Mao said you were to be criticized, it did not occur to me that we should not criticize you. All I knew was that the Propaganda Department had to carry out Chairman Mao's instructions. It simply did not occur to me that we should oppose Chairman Mao's instructions. After the "Cultural Revolution," I will no longer go along with this kind of criticism. I think that Comrade Dingyi has been awakened, Comrade Zhou Yang has been awakened, and I have been awakened on this point.

That was roughly what I said. When I had finished, he said "I heard you" twice with great difficulty. There were things which I had not said then. I had not told him that although I was neither fond of nor good at criticizing others, and had on several occasions been criticized by the Propaganda Department for not paying attention to criticism and only showing enthusiasm for free discussion and for construction, I basically accepted the idea of criticism. For a long time I have considered this to be one of my shortcomings.

I felt that our talk was very meaningful. Yefang and I have known each other for decades. I feel comforted at being able to sum up our past before Yefang's death.

As I have just said, I told you all this not because I wanted to exaggerate my awakening, or to claim that I have always hoped for, and championed

academic freedom. In fact, my not voicing my objection to the criticism of Sun Yefang shows that I did not have that kind of awakening. Now, we can pass final judgment and say that this kind of criticism is wrong. Today my understanding has been clarified to this extent: Just as creative freedom is a law governing the development of literature and art, so too with academic freedom and the development of science. This is an objective law, an objective inevitability. By objective law, what I mean is that it is independent of man's will. When I say that it is independent of man's will, I do not mean that academic research is inevitably free under all circumstances. This law of inevitability does not exist. However, without academic freedom, scientific development will be sluggish and will not lead us to prosperity. This is a constant inevitability. This is similar to the law of distribution according to work. When we say the law of distribution according to work is present under the socialist system, it does not mean that the principle of distribution according to work can be implemented under whatever conditions. This kind of inevitability does not exist. The reason is that this principle sometimes just cannot be implemented. However, it is an inevitability that the socialist economy will develop quickly when distribution according to work is implemented, and will not develop properly when this principle is not implemented. Governing laws are intrinsic relationships. There are intrinsic links between distribution according to work and the development of the socialist economy. These kinds of intrinsic links are independent of man's will. People may decide not to implement the principle of distribution according to work, or even to criticize this principle, as was the case when the "gang of four" dominated. But the above-mentioned inevitability remains unchanged. Thus, if we want the socialist economy to prosper, we must implement the principle of distribution according to work. People engaged in material production should be given material rewards. People engaged in academic research should also be given encouragement for their labor. In giving encouragement of this kind, it is also necessary to implement the principle of distribution according to work and to better meet the conditions necessary for carrying out research work. Academic freedom and letting a hundred schools of thought contend are a type of spiritual encouragement. As for spiritual production, be it literary creation or scientific research, encouragement in the form of academic freedom is needed. This is also an objective law. This was what I had in mind when I wrote: "If we want to get the fish, we must first learn to swim; if we want to get the birds, we must first learn about trees; and if we want to develop Marxist theories in China, we must first develop an atmosphere of free academic discussion." The first two parts were taken from the classical Chinese philosophical book "Huaiananzi" [3232 3948 1311], which was also about this kind of objective law.

Looking back over the past 30 years means summing up experience. There are a lot of things to sum up in 30 years, but because of limited time I will only talk about the question of encouragement. Earlier I said that from the founding of the PRC to the convocation of the 3d Plenary Session of the 11th CPC Central Committee the importance accorded to work relating to economic science was not commensurate with the importance that economic science deserved. This, I think, was an objective fact. The situation of economic science was like this--particularly if we look at how responsible comrades read economic science writings written by Chinese academic circles, affirmed the

outstanding achievements of research in economic science, and utilized these research findings. For example, viewpoints and proposals put forward by research institutes, which should have been adopted if they were correct, were not always accepted during that period. The underlying current was one of neglect. It was as if economic science workers were standing on one side of the line and responsible comrades of departments handling the actual work were on the other. Economic scientists carried out research in economic science while responsible comrades of actual economic departments carried out economic management according to their experience. The latter seldom took part in discussions started by economic theory workers. At that time, very few bothered to put in an appearance just to show their support. They hardly bothered to put in an appearance just to show their support. They hardly bothered to find out what Chinese economic scientists were studying and discussing, what the significance of the questions studied and discussed was, what achievements had been made, and so on. Many of the responsible persons engaged in actual economic work were in a very good position (because they understood a lot about the actual situation) to work with economic scientists in the practice of developing economic science. But these two kinds of people engaged in parallel operations instead. Of course I do not mean that these two groups of people never influenced one another. Things are never that absolute. Here I am only trying to recall the basic state of affairs. Whether or not I have correctly presented the situation is open to criticism. If what I have presented was the correct picture, then the importance accorded to economic science in our country in all these years was far from commensurate with the importance that it deserved.

In short, seen from the angle of the encouragement given to economic science, the period prior to the 3d Plenary Session of the 11th CPC Central Committee (24 years counting from 1955) was anything but satisfactory.

Of course, our economic scientists are not entirely blameless for this state of affairs. Many of our economic scientists tolerated the above-mentioned state of parallel operations and were content with the lack of communications. It takes the efforts of both sides to achieve integration. Thus, our economic scientists should also be held responsible for this kind of parallel operations; we should positively point out that this state of affairs is bad. Comrade Sun Yefang did an outstanding job in this connection. He did his best to get involved in actual work and was not satisfied with merely conducting theoretical research. It was precisely because of this that he was not liked by some people.

Before the 3d Plenary Session of the 11th CPC Central Committee, many theoretical articles merely performed an expository function, thus degrading theoretical research to the level of merely providing explanations for present policies. The importance of an economic scientist lies in his creativeness, his independent thinking, and his independent judgment. Although a particular view put forward by a particular economic scientist may not necessarily be correct, more often than not it is an inevitable intermediate product prior to the obtaining of ultimate tenable achievements. If we do not permit the forming and airing of incorrect views, there will not be any outstanding achievements that will ultimately prove tenable. Many economic scientists did not fully understand the due place of economic science and did not fully

understand what they should do and what their obligations were. This was also a problem. It is for this reason that we cannot overestimate the achievements of our economic science work during the period between 1955 and 1978. Although quite a large number of articles have been written, and we must admit that we have made some achievements, they still fall far short of what can and should have been achieved. Our purpose in summing up historical experience is not to discuss whether or not we have achieved anything (of course we have), but to find out whether or not the achievements obtained have been fully appraised and to draw experience and lessons therefrom.

More than 6 years have elapsed since the 3d Plenary Session of the 11th CPC Central Committee was held in 1978. As in many fields of work, economic science work also has the convocation of the 3d Plenary Session of the 11th CPC Committee as its dividing line. Economic science has received much more attention than it had in the past. You comrades here, including the younger ones, all know what has happened since then and there is no need for me to recall and enumerate. But I can still cite an example by way of illustration. Between 1979 and 1980, a number of economic science groups were set up for the study of economic questions, such as the questions of system, structure, theory and method. Many economic science meetings have been convened, many economic science organizations have been set up and many economic science journals have been published in the past few years. The situation cannot be compared to the period before the 3d Plenary Session of the 11th CPC Central Committee. What particularly inspired our economic science workers was that in the Government Work Report delivered by Premier Zhao Ziyang at the 1982 NPC, a long passage was devoted to the discussion of Comrade Sun Yefang's work. This was something that had never happened in our country. It was a pity that Comrade Sun Yefang was already dying. It would have been much better if Sun Yefang's correct proposals had been affirmed sooner and a correct appraisal had been given of him sooner. But then, even though it came a little late, it produced strong repercussions among the economic scientists. During the period when the 12th CPC National Congress was in session, Comrade Sun Yefang and I were working in the same group. His last piece of writing was his speech at the group meeting. Although the question of who has claim to depreciation which he emphasized in his speech has not been fully solved, there is now a tendency to increase the percentage of depreciation to be retained by enterprises. The question of letting enterprises retain a fairly large proportion, even the entire amount, of depreciation is also being considered. When the views of economic scientists are being taken seriously and adopted in actual work, it is the greatest encouragement. The question now is how the adoption of opinions can be systematized and improved. Of course, recipients of encouragement are not always outstanding (outstanding articles naturally deserve encouragement all the more). In ancient China, someone paid a lot of money just to buy the bones of a dead horse. The fact that he was willing to spend so much on the bones of a horse of fine breed showed that they valued good horses. Consequently, other owners of good horses went to him to offer their horses. When a good job has been done in giving encouragement to economic science, I am sure China's economic scientists will produce even more outstanding achievements.

China is a great country, and it is carrying out its great cause of socialist modernization. In real life, the economy is the key to construction work.

There are many questions relating to economic science that need to be studied, and many departments of economic science that need to be studied, and many departments of economic science that need to be set up and developed. We have the necessity, and the ability, to bring about the vigorous and all-round development of economic research in our country. Many problems can be studied, and many disciplines can be set up and developed. In the field of economic science--primarily political economics--much development can be expected. What needs to and can be studied first is naturally the socialist section of political economies. Modern capitalist political economics must also be studied. Political economics is the crown of economic science. It is the most important component of Marxism. Besides political economics, we must also pay attention to the economics of productive forces in theoretical economic science, which is an economic science that stands side by side with political economics. At present, many schools, particularly polytechnics and agricultural science schools, are showing great interest in this science. A department of Jiaotong University offers 57 hours of lessons on political economics and 57 hours on the economics of productive forces. Theoretical economics may also include theoretical research into consumer economics. It also encompasses many practical research into consumer economics. It also encompasses many practical economic science departments. In addition to economic science that studies the economy of the whole society, we also have economic science that studies many individual departments, which often encompass both theoretical economic science and practical economic science.

In short, there are many disciplines of economics that need to be set up and developed. Our problem now is that many new disciplines are not recognized. Research students cannot be recruited and degrees cannot be conferred in these disciplines. If this problem is not solved, we will only have outmoded science in the long run. This problem must be solved. Of course not all proposed new disciplines can eventually be set up. But this problem can only be solved through the development and discussion of new disciplines and cannot be decided on by a few individuals. If we have any doubts about the new disciplines, we can hold discussions. I think it is wrong to cast doubt on and refuse to accept the new disciplines just after glancing at them. I think that it is an outmoded idea to refuse to recognize new disciplines that are full of vitality. China is a great country. It should become a country with the most developed economics. Engels said: The actual need for science is more powerful than the boost given to science by a great number of universities. The actual needs of China's economic development will also provide a more powerful boost to economic science than do a great number of universities (of course, by this I mean the best universities). If we say that China was a paradise for foreign adventurers in the old days, then the China of today is a paradise for scientists. We have many economic problems before us. If we work hard, China will produce great economists. China not only has a lot of problems to study, it also has a large population. If everyone has a good science education, there is a lot of work we can do. It is a pity that despite our huge population, we do not have enough qualified people and our intellectual structure is weak and incomplete. When this problem is solved, our economic science departments can be made more complete. As for the prospects, we must cultivate ideals. From each according to his ability, each takes what he

needs. This kind of remote, generalized idealism is needed because it is the direction of social development that our Marxism is striving after. But our ideals should not be thus restricted. We must have more immediate and concrete ideals. Localities, departments, trades and professions must all have their own ideals. We should pay great attention to the role played by this kind of more immediate and concrete ideal in stimulating people to boldly advance.

Recently, I pointed out that we need two slogans, namely, "long live service" and "long live creation." I think that in a socialist society, mutual service is invariably present between man and man and between various organizations in society. Even if we admit that economic relations under the socialist system are relations based on interests and ownership, we must admit that service relations constitute a basic feature of socialism. Service means serving the interests of another party. Thus, mutual service may be seen as a kind of relationship based on interests. I think that we now have the following problem: With the implementation of the system of contracted responsibilities with payment linked to output in the rural areas, if commune and brigade cadres only concern themselves with getting money from the peasants and do nothing about serving them, the idea of never divorcing ourselves from the socialist organization always cherished by the peasants will become blunted and we will not be able to consolidate and develop good socialist relations. The same holds true with the relations between higher and lower level governments and between the government and the people. Higher authorities cannot merely carry out management. If they merely carry out management and do not serve, they will become "unpopular mothers-in-law." Thus, I advocate "long live service." I think that society cannot do without creation. Marxism can only improve itself through creation. If it is not creative, it must be of a low level. We must rely on creation if we want to raise Marxism to the modern level. Creation is required in all fields of work. Thus, I also advocate "long live creation." These are the two "long lives" that I have recently summed up. But after that, I have come up with two more slogans using the word "pleasure," namely, "taking pleasure in service" and "taking pleasure in creation." If the two "long lives" are objective laws, then the two "pleasures" constitute one's attitude toward life or outlook on life. I believe that service will bring one pleasure. Each and every one of us have the desire to make progress and the desire to create. So, creation must be a pleasant thing.

What we economists do is simply provide service. There are many avenues of service. We must serve the policy decisions of the party and the State Council, serve the party and government organizations at all levels, serve all enterprises and economic organizations, and also serve individuals. Providing scientific guiding ideology is a kind of service. The content and form of service to be provided by economic science is to provide service with its research results. In order to provide good service, we must create. I believe that if our great number of economists all sum up their experience, all embrace the spirit of taking pleasure in service and creation, and all exert themselves and show the greatest enthusiasm, we will definitely be able to achieve fruitful results. Our economic science will definitely develop well. The position of our economic science must be commensurate with its importance. We must not rely on others to give us encouragement, neither can others be relied on to pay attention to our economic science. We must make people pay attention to economic science by showing our achievements. This is all I have to say today.

NATIONAL POLICY AND ISSUES

ON THE ISSUE OF TIME ECONOMY

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 3,  
20 Mar 85 pp 7-10, 30

[Article by Qi Jingmin [7871 4842 3046]: "On the Question of Time Economy"]

[Text] Time economy is an important topic of economics which has, already very early, been studied by economists. In the practice of China's socialist modernization drive, time economy has become an increasingly prominent issue.

The "Resolution on the Reform of the Economic System," adopted at the 3d Plenum of the 12th CPC Central Committee, pointed out that we must speed up the reform of the entire system of our national economy--aiming at the cities as main target--strengthen the vitality of the enterprises, develop the socialist commodity economy, promote the development of the national economy and achieve the tasks and objectives designated by the 12th CPC National Congress. The enterprises are the cells of the national economy; they are the small motors that keep it moving. The more vitality the enterprises show, the more flourishing vitality will be shown by the national economy. The vitality of the enterprises manifests itself mainly in the efficiency and growth of their economic activities, which has a bearing on the developmental level and growth of the national economy. Whether for any enterprise itself or the entire national economy, there will always be a time-oriented demand involved, critically so for the enterprises. If the enterprises cannot maintain a high degree of efficiency in their economic activities, the national economy cannot possibly develop at a high growth rate. Raising time efficiency, increasing enterprise vitality and promoting the rapid development of the national economy are the tasks and demands put forward by the 3d Plenum of the 12th CPC National Congress.

Time is money; efficiency is life. Comprehensively expressed, China is carrying out a planned commodity economy. As to its material substance, the processes of socialist economic activities are the processes of commodity movements. Commodities are produced in the production process, pass through a circulation process and are used in the consumption process. Commodities thus move in an orderly progression, starting with production, passing through circulation and ending in consumption. Time is like a track for the movement of the commodities, manifesting and reflecting the stage of the commodity and the mutual relations of the various stages. At whatever stage, the commodity

will also be in a stage of competition; the mutual relations of commodities are relations of competition. The new worldwide technological revolution, in which we now find ourselves, is an opportunity and a challenge for the development of China's commodity economy. The reform of our economic system, invigorating the domestic economy and opening up for foreign trade require that we promptly understand and gain full knowledge of commodity information and promptly absorb the latest scientific and technological achievements; we must make every minute and second count without the slightest relaxation. Only by acting in this manner can our enterprises maintain a foothold in the general competition and vigorously develop. Competition is primarily a competition in time; seizing markets is primarily a matter of seizing time. The economic practice in China during the last few years is evidence for the fact that enterprises which highly valued time and made every effort to utilize time in their endeavors for growth, could achieve a high time efficiency in their economic activities, and that enterprises of the opposite type could not survive. Time is the lifeline of enterprises.

In his "Report on the Work of the Government," presented to the Second Session of the Sixth NPC, Comrade Zhao Ziyang emphasized that every effort must be made to achieve larger economic results with less investment and in shorter times. These are the fundamental norms for time saving, higher time efficiency and for the strengthening of enterprise vitality. However, over long periods of time in our past, waste of time in our economic activities has been extremely serious. For instance: construction projects took long periods of time and much expenditure to complete, in commerce we had many intermediary links, and commodity circulation took circuitous routes, with a slow turnover and many expenses. Precisely as emphatically expressed in the resolution of the 3d Plenum of the 12th CPC Central Committee, the current economic efficiency in our urban enterprises leaves much to be desired, and there are still very serious losses and much waste in the areas of productive construction and circulation. Some people have a faulty concept of time; they come late and leave early during time allotted for work, they are lax and lazy, they dawdle when time counts, not to speak of having them utilize their spare time more usefully. Certain enterprise managers in particular lack a program of time management that is tense and yet harmoniously arranged. They are unable to manage time scientifically; at times they cause idleness by bad organization; there is little time-oriented education, and all this may even lead to serious economic losses. These attitudes are quite incompatible with the reform of our economic system, with efforts to raise time efficiency and to strengthen the vitality of our enterprises. It is not only a matter of lax discipline in workstyle, but it also constitutes a fundamental and serious economic problem. The economic construction within our socialist modernization drives, which has raising economic efficiency as its core, must take time as its starting point. Not only must we treasure every small unit of time in every move of economic activity, but we must also give thoughtful consideration to the time objectives in every item of our economic construction within our socialist modernizations. We must establish a scientific time concept and in our actual work eliminate the evil phenomenon of wasting time, but rather strive for time efficiency and raise economic results.

Economic time is something objectively extant, it is of abundant and variegated substance and multifarious characteristics. Even though it has many facets, it is a set of an extant form with many layers and differences. Horizontally, we can distinguish agricultural time, industrial time and commercial time; vertically, we can distinguish reproduction time with production time, circulation time and consumption time. Agricultural time refers to time spent on agricultural production activities; industrial time refers to the time of industrial production activities; commercial time refers to the time for commercial business activities; reproduction time refers to the time beginning with the production of a product to the end of its consumption; it comprises production time, circulation time and consumption time. Production time refers to the time spent during the production process of the product, and depending on their link with production factors, we can distinguish work time and nonwork time. Work time is the time spent on the production of a product as integral factor in the production area; it may be divided into necessary work time and surplus work time, referring to the time spent for the production of the social consumption need at the original scope and to the time spent on the product for the social need at an expanded scope, respectively. Nonwork time is time spent as a production factor without an integrated role in the production process, and in view of the different reasons for not being integrated in the production process, we distinguish time of business-related interruptions of production, rest time for workers, etc. Circulation time refers to the time needed to move the product from the production area to the consumption area. According to the different links in the circulation process, we can distinguish purchasing time and selling time. Consumption time refers to the period from the time the product enters the area of consumption to its losing its use-value or the time it is effectively preserved in the consumption area. According to the order of consumption, we generally distinguish time awaiting use and actual use time. All the various types of times are, on the one hand, mutually distinct and separate, but, on the other hand, mutually related and interdependent, forming an organic entity in their existences and movements. This, then, is the shape of the time economy.

Obviously, the terms time economy and economic time are not simply inversions of word order; the two have different meanings. First, time economy is the organic entity of all economic time; economic time is a factor of time economy. Second, time economy is the sum total of all economic times combined, while economic time is the manifestation of time economy. Third, time economy is the saving of economic time, economic time is the expression of time economy.

The law of time economy is the fundamental question in time economy. The law of time economy is the natural relation of the essence of the existence and the movements of time economy. It is of important significance as a guide in the economic construction of our socialist modernization drive.

#### 1. The Law of Reproduction Time and Its Significance

Reproduction time, production time, circulation time and consumption time basically make up the sphere of time economy. They are closely interrelated. Changes in the duration of reproduction time are brought about and determined

by production time, circulation time and consumption time. Reproduction time decreases or expands depending on the changes in production time, circulation time and consumption time. In general, it manifests this in three ways: First, if, under the premise that the product mix and product use remain unchanged, the production time, circulation time and consumption time for varying reasons (such as improvement in the quality of the workers, scientific and technological progress) are reduced, the reproduction time will be reduced for different reasons and to different degrees. Second, if, under the same premise, the production time, the circulation time and consumption time of a product are all simultaneously lengthened for varying reasons (the opposite of those mentioned above), the reproduction time will expand for varying reasons and to different degrees. Third, if, under the same premise, the production time, circulation time and consumption time are for various reasons each by itself either lengthened or reduced (for the above-mentioned reasons but in different directions), the reproduction time will react in three different ways: 1) If the absolute value of the reduced time is larger than the absolute value of the extended time, the reproduction time will get shorter. 2) If the absolute value of the shortened time is smaller than the absolute value of the extended time, the reproduction time will expand. 3) If the absolute value of the shortened time is equal to the absolute value of the extended time, the reproduction time will remain unchanged.

The relationship between the reproduction time on the one hand and the production time, circulation time and consumption time on the other hand can be expressed in a mathematical formula. If  $T$  represents the reproduction time,  $t_1$  stands for production time,  $t_2$  for circulation time,  $t_3$  for consumption time,  $f_1$  signifies the production capacity index,  $f_2$  the circulation capacity index,  $f_3$  the consumption capacity index, then:  $T = f_1(t_1) + f_2(t_2) + f_3(t_3)$ , or  $T = \sum f_i(t_i)$  ( $i = j$  [sic] = 1, 2, 3, signifying the ordinal numbers of  $f$  and  $t$ ), " $f$ " signifying the variable intermediate or rule in the relation between  $T$  and  $t$ ,  $T$  being the factor. This is the law of reproduction time and the form in which it can be expressed.

The law of reproduction time is a general economic law; it plays an important role as a guide in economic activities. Reproduction time is an instrument displaying the process of social reproduction and constitutes a form and method for the description, observation and analysis of social reproduction. The law of reproduction time is a basic necessity of economic management that must be observed. First, we must maintain the principle of a systematic nature. The production, circulation and consumption of a commodity are a continuum, forming one organic overall movement. The turnover of the reproduction time is subject to the restrictions of times spent in the various processes. All the various production enterprises, circulation departments and consumption units must, therefore, closely cooperate, maintain harmonious relations and work to promote the healthy development of the national economy. This is also an objective demand of the socialist planned commodity economy. Second, to carry out norm control based on the formula  $T = f_1(t_1) + f_2(t_2) + f_3(t_3)$ , to reduce reproduction time  $T$ , to speed up capital turnover and to promote renewal and updating of products, we must reduce production time  $t_1$ , circulation time  $t_2$ , and consumption time  $t_3$ . Through changes and analysis of the economic capacity factors  $f$ , we must seek out the factors for improved economic capacity and then employ appropriate measures, which in general

consist of strengthening the quality of the workers, improving equipment, scientific management, and by a shortening of the various types of times, reduce the reproduction time T and raise the efficiency of reproduction time.

## 2. The Law of Work Time and Its Significance

Work [or labor] time is the economic time spent on the direct creation of material products; it has special characteristics and makes special demands. Work time is the source power for the creation of wealth and is also the measure of expenditure. In essence, work expenditure is expenditure of the vitality of the workers, namely "expenditure of human brain, nerves, muscles, feelings, etc." [1] As to the measure of work expenditure, "it is precisely in the same way as time is the measure of movement, that work time is the measure of work." [2] "The quantity of labor itself is measured by its continuous duration, and work time in its turn uses definite time units, such as hours and days, as its standard." "However, the quantity that is measured is only the socially necessary time required for the production of use-value." [3] Work time, therefore, demands of social reproduction: First, that society distribute usable work time in a planned manner, i.e. that it must be based upon "the social needs, which are definite in quantity for each particular kind of product," when "proportionately distributing work time, from out of its total social work time available, among the various particular spheres of production;" [4] second, that society must exchange products according to the work time expended on their production; third, that products are consumed according to the apportionment of work time by society. These characteristics and demands by work time are natural and logical correlations. This is the basic substance of the law of work time.

The law of work time is an economic law that must be observed in social reproduction; it restricts and regulates social reproduction. However, it plays a different role in different social systems. In capitalist society, the objective of commodity production is to rake in money; the seizure of "wealth depends directly on the seizure of surplus work time." [5] Capitalists vie with each other in using work time on the production of items that yield much profit, but if the work time for the product exceeds the share of time allotted by society from out of its total work time, if production will exceed demand for the product, the product cannot be sold, a product with surplus work time cannot be achieved, and this in the end leaves no other alternative than to change the use of work time; the law of work time thus plays its role, naturally and objectively.

In socialist society, commodities are produced to meet the needs of all members of the society; there is here no blindness in what is produced and how much is produced; all proceeds in an organized and well-planned way. "Even if exchange value is eliminated, work time remains once and for all the creative entity of wealth and the measure of expenditure needed for the production of wealth." [6] "The apportionment of work time in accordance with a definite social plan regulates the proper proportions between the various kinds of work functions and the various needs of society." "Work time, on the other hand, serves as a measure of the portion of the common labor borne by each individual producer and, therefore, also of his share in the part of the total product destined for individual consumption." [7] This has a direct effect on

managing savings in manpower, finances and materials, on efforts to achieve economic results, and on the coordination of the relations between production, supply and consumption, as also on the promotion of the development of the national economy. It is the bond in the contacts and relations between enterprises, departments and localities, as it is also the basis for the implementation of the socialist distribution according to work. In brief, under the socialist system it is possible to consciously apply the law of work time in the management of the economy. Particularly in the actual practice of the Chinese socialist commodity economy, the law of work time is the theoretical principle that cannot be ignored in planned management.

### 3. The Law of Time Saving and Its Significance

Time is the basis of all saving. Work time is the power source for the creation of wealth and measure of expenditure. Past labor and materialized labor in its extant form--the product--is the condensation of past work time. Current labor and live labor is the on-going or continuing expenditure of labor congealed in the product. Whether we say that more products are produced per unit of work time, or whether we say that a unit of product is produced with less work time, it all amounts to a reduction of work time. "True economy--saving--is saving of work time (the lowest limit of production expenditure, and reducing to the utmost limits)." [8] Using less circulation time to achieve greater product circulation not only saves circulation time itself but reduces losses and waste of products, actually saving expenditure of live work time in the circulation process as well as the expenditure of materialized work time. In the consumption process, a saving of the use of products reduces the expenditure of materialized work time, and at the same time speeds up the normal consumption of the products, reduces consumption time and promotes the reduction of reproduction time for renewals and updating of products. For this reason, "all saving is in the final analysis a saving of time." [9]

Saving of time or the reduction of economic time is the natural trend of production development. Economic time is a variable which changes with the changes in the productive forces. When productivity is high, the work time per unit of product is reduced; when productivity is low, the work time per unit of product expands, or the products within the same work time "will be more numerous, if the productive power rises, and will be fewer, if the productive power declines." [10] The work time of products and the productive forces producing the products change in opposite directions or are in inverse proportion. It is a historical trend that human civilization and social progress move from the realm of necessity to the realm of freedom. As a consequence of the development of production into broader spheres and greater depths, the opening up of new spheres of knowledge by science, the improvement of the quality of workers, the progress in science and technology, the creation of new equipment and of more scientific management, there is bound to be a reduction in work time, an increase in surplus work time, a shortening of the work day, an increase in free time: in a word, there will be a reduction of economic time and an increase in social time. Although it will not be possible to eliminate the fact that there will occur at times in the course of historical development incidents of lengthening economic time, these cases will be isolated and occasional phenomena, constituting logical aberrations.

Time saving will primarily manifest itself in the reduction of the relative volume of economic time in individual enterprises and departments, and is also bound to manifest itself in a reduction in the absolute volume of the current social economic time. This is the natural pattern of change in economic time; it is the law of time saving that is independent of man's will.

The law of saving time is an economic law common to every human society. However, in the economic life of capitalism, despite all scientific development, technical proficiency, high degree of scientific management, the capability of very accurate use of economic time in enterprises and corporations and the increase, many times over, of time efficiency, they cannot avoid blind development throughout the entire economy, conflicts between private economic interests and social economic interests and the inescapable waste of social economic time. Saving of time, therefore, manifests itself on the one hand in a rise in the efficiency of private economic time and saving of its economic time, but on the other hand in a lowering of the efficiency of social economic time and a waste of its economic time, while the magnitude of saving of social economic time cannot keep pace with the magnitude of production development.

This is very different under socialism. Time saving, the reduction of economic time in enterprises, departments and corporations, is oriented in the same direction as the reduction in social economic time, and the volume of saved time keeps pace with the magnitude of production development. The fundamental difference lies in the fact that socialism works to directly reduce economic time to its lowest limit, in order to make available to all members of its society more of the other types of social time to allow the development of art, science and other such pursuits.

Saving time is the foremost economic law. Marx pointed out that saving time and the planned allocation of work time among different production departments is still the foremost economic law even on the foundation of common production, and will become a law to an even higher degree. Marx also pointed out that the less time required by society for the production of grain and for animal husbandry, the more time society will gain to engage in other production, be it material or intellectual. As it is true in the case of an individual, social development, social enjoyment, and social activities are comprehensively determined by the saving of time. The human "realm of freedom can only prosper if it is built on the foundation of the realm of necessity;" "shortening the work day is the fundamental condition." [11] We see that time saving, raising time efficiency and increasing social time for other pursuits constitute a fundamental task in China's socialist modernization drive. The law of time saving is a fundamental principle that guides us in the economic construction in the course of the socialist modernizations; all affairs must be conducted according to the law of time saving. All managers and workers should treasure time and be masters over it. The key points in time saving are exerting great efforts to develop productive forces, utilizing the great opportunities that present themselves now in the worldwide scientific and technological revolution, promptly gain understanding, acquire full mastery and absorb the advanced scientific and technological achievements in the world, as quickly as possible gradually realize the goals of having the workers become more knowledgeable, the equipment become more advanced,

management become more scientific, of strengthening the production and business capacity of the enterprises and of fully exercising the strengths of the socialist system. We will then definitely be able to greatly improve time efficiency, save economic time, increase time for other social activities and build China into a socialist people's paradise of great prosperity.

#### FOOTNOTES

1. Marx, "Capital," Vol 1, p 88.
2. "Collected Works of Marx and Engels," Vol 13, p 18.
3. Marx, op. cit., pp 51-52.
4. Marx, op. cit., Vol 3, pp 716.
5. "Collected Works of Marx and Engels," Vol 46, Part 2, p 221.
6. Marx, "The Theory of Surplus Value, Vol 3, p 282.
7. Marx, "Capital," Vol 1, p 96.
8. "Collected Works of Marx and Engels," Vol 46, Part 2, p 225.
9. "Collected Works of Marx and Engels," Vol 46, Part 1, p 120.
10. Marx, "Capital," Vol 1, p 60.
11. Marx, op. cit., Vol 3, p 927.

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NATIONAL POLICY AND ISSUES

PRC PAPER REVIEWS RESTRUCTURING OF URBAN ECONOMY

HK070930 Shanghai SHIJIE JINGJI DAOBAO in Chinese 22 Jul 85 pp 4, 5

[Article by An Zhiwen [1344 1807 2429], vice minister of the State Restructuring of the Economic System Commission: "The Path of Reform Leading to Prosperity Has Emerged"--first paragraph is SHIJIE JINGJI DAOBAO introduction]

[Text] The years 1985 and 1986 will be the keys to making major breakthroughs in the strategy of our urban reform. Reviewing and summing up conditions and experiences in this reform over the past few years carries a deep and particular significance for carrying out the current urban reform in an overall way and in depth and for making clear its future target and orientation. [end introduction]

The decision to shift the focus of the work of the whole party to economic construction made at the 3d Plenary Session of the 11th CPC Central Committee was the prelude to the restructuring of the national economy as a whole with the focus on the urban economy. Under the guidance of the spirit of the session, such restructuring has repeatedly explored, tested, and made great progress in a number of problems. Summing up both positive and negative experiences, especially the successful experiences gained in our urban reform in recent years, the 3d Plenary Session of the 12th CPC Central Committee issued the "Decision of the CPC Central Committee on Reform of the Economic Structure", thus ushering into a new developmental period the restructuring of the national economy as a whole with the focus on the urban economy. From cities to the countryside and from the coastal areas to the interior, millions of millions of people are now voluntarily throwing themselves into the current economic reform. As Comrade Deng Xiaoping has pointed out: "Reform is the second revolution for China."

I. Review

In recent years the following work has been done in the restructuring of the economy:

Keep the Invigoration of Enterprises in Mind as the Key and Gradually Reform the Management Structure of the National Economy

Since the 3d Plenary Session of the 11th CPC Central Committee, we have started handling two types of relationships in our urban reform--the relationship between the state and enterprises, and the relationship between enterprises and their workers and staff members. By extending decisionmaking power to enterprises, we have initially changed the situation in which enterprises "eat from the same big pot" of the state. As a result, enterprises have begun to become relatively independent economic entities rather than appendages to administrative organs, and they have become more vigorous. By introducing various forms of the economic responsibility system, we have initially changed the practice of "eating from the same big pot" prevailing in the relationship of the workers and staff members to their enterprises, thus further implementing the principle of distribution according to work and arousing among vast numbers of the workers and staff members a sense of responsibility for being masters of the country.

To invigorate enterprises, we have instituted the system under which a director or manager assumes full responsibility in an enterprise, have switched from profit delivery to tax payment, have reformed the wage and bonus systems, and have introduced the economic responsibility system at each level. Through readjustment of the production structure and amalgamating enterprises, close economic ties have been established between enterprises. By promoting different economic forms, we have accelerated the development of the collective economy, the individual economy, and jointly-owned economy, as well as trial implementation of shared-capital economy. Since separating government from enterprise functions and reforming the planning, financing, pricing, and material supply systems, we have extended more decisionmaking power to enterprises in production and management. Such reform inside and outside enterprises has combined the economic potential of enterprises with different outside conditions for enterprise development, thus giving a boost to the urban economy.

#### Vigorously Develop Socialist Commodity Economy by Consciously Following and Applying the Law of Value

Since the urban reform has been explored and practiced in recent years we have broken with the previous rigid economic structure and the old conventional idea of setting the planned economy against the commodity economy; changed the practice of a state monopoly over material supply and distribution in production, a state monopoly over purchase and marketing in commodity circulation, and a state monopoly over revenue and expenditure in regard to financial distribution that cannot meet the needs of the growing forces of production; and started paying adequate attention to commodity production, the law of value, and market regulation. The "Decision" at the 3d Plenary Session of the 12th CPC Central Committee clearly points out that the socialist economy is a planned commodity economy based on public ownership. We must consciously follow and apply the law of value to bring the task of full development of a commodity economic before the nation. This is a major breakthrough in the theory and practice of the restructuring of the entire economy, especially the urban economy.

In order to meet the needs of vigorous development of the socialist commodity economy, in recent years we have mainly carried out a series of relatively major reforms in the following two areas: First, development and expansion of the socialist unified market and continued opening and enlivening of the two commodity markets--the means of consumption and the means of production; second, giving full play to the role of the economic levers. In planning, we have therefore changed the previous practice of using the unitary method of mandatory planning and adopted three management methods--mandatory planning, guidance planning, and market regulation. In finance, we have taken the first and second steps in replacing profit delivery with tax payments and will make further efforts to improve taxation and use the level of taxation on a larger scale. In pricing, we have changed the previous system of uniform prices set by the state alone. Instead, we have adopted the method of the state and enterprises setting prices and letting prices fluctuate. We have also adopted the system of combining fixed prices with floating prices and free prices. In the credit system, we have set up the central bank and specialized banks to grant loans for investment in capital construction instead of financial allocation, have exercised unified control over the working capital of enterprises, and have trial-implemented both differential and floating interest rates. In the wage system, with the restoration of a piece-work wage and the bonus system. We will soon set about introducing a system in which wages are related to specific work posts and the method of letting the total payroll of workers and staff members fluctuate according to economic performance of enterprises. Following a series of reforms, pricing, taxation, credit, wage, and other economic levers have started operating well and guided our economic development.

#### Make Experiments in Comprehensive Reform of the Urban Economic System and Bring Into Full Play the Function of Cities

Reform of the urban economic system is a huge social project which involves innumerable aspects, has too many things to take care of, and usually "pulls one hair and affects the whole body". In order to explore an approach to the urban reform, since 1981, experiments have been made with the approval of the State Council for carrying out comprehensive reform of the economic structure in 10 cities--Shashi, Changzhou, Chongqing, Wuhan, Xian, Guangzhou, Dalian, Shenyang, Harbin, and Nanjing. Economic plans for seven cities, including Harbin, have been separately made. All this has yielded valuable experiences for carrying out the urban reform in an overall way. There are now 58 cities selected for experiments. With the help of these cities, the restructuring of the urban economic system is now in full swing throughout the country.

In order to bring into full play the role of key cities in organizing the economy, we have reformed the economic planning between regions and placed counties under the jurisdiction of cities. Endorsed by the State Council, we have established the Shanghai Economic Zone, the Shanxi Energy Base, and the Northeast China Energy and Traffic Planning Office. There are now 129 large- and medium-sized cities in the country which exercise the function of leading 571 counties around them. Through reform we have started breaking the barriers between different departments and regions and clearing the channels between town and country as well as open and

interconnected economic zones of various types and sizes gradually formed with support from cities. With their functions, ability to absorb foreign funds, and services of cities being strengthened, the role of cities as industrial, trade, commercial, transport, information, science, and education centers has been brought into play. We are now striving to build cities into open and modern economic centers with multiple social functions.

#### Open to the Outside World and Strengthen Technological and Economic Exchange and Cooperation with Other Countries

Opening to the outside world is a basic national policy which was formulated by the party Central Committee and the State Council after the 3d Plenary Session of the 11th CPC Central Committee. Since 1980, Guangdong and Fujian, in accordance with "special policies and flexible measures", have designated the four Special Economic Zones of Shenzhen, Zhuhai, Shantou, and Xiamen. Since 1984, the party Central Committee and the State Council have decided to open not only 14 coastal cities and Hainan Island, but the Chang Jiang Delta, the Zhuhai Delta, the South Fujian Delta, the Liaodong Peninsula, and the Shandong Peninsula as well. Meanwhile, we have established technological and economic development zones in many open cities along the coast of our country. This has initially formed a triangular open area and enables us to bring into full play the pivotal role of coastal cities in opening both to the interior and to the outside world. With the help of absorbed foreign funds and imported technology, talented people, and modern management experiences, the quality of enterprises in cities has been enhanced, thus accelerating our economic development.

#### Six Distinguishing Features of the Urban Reform

To sum up, there are six distinguishing features in our current urban reform: (1) The reform is spreading over a whole area from one point and is being carried out in an overall way; (2) Centering on invigorating enterprises, the reform is gradually being carried out in a comprehensive way; (3) The previous closed urban economic structure marked by separate departmental management is changing into an open and interconnected structure; (4) The entire urban economy, which had neglected the law of value in the past, is now developing into a socialist planned commodity economy; (5) Our urban economy is changing from the previous rigid pattern to a new pattern full of life and vitality; and (6) The urban reform is gradually developing from an economic basis to that of the superstructure and changes are taking place in the function of urban government organizations over economic management. All these features vividly reflect the excellent situation in our urban reform.

#### II. Looking Ahead

This is the first year to implement and carry out the "Decision of the CPC Central Committee on Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee. The most important task confronting us is to victoriously realize the strategic objective of "being prudent in fighting the first battle and being sure to win" proposed

by the party Central Committee and the State Council. This year's urban reform will continue to focus on invigorating enterprises, in particular the large and medium enterprises, to carry out comprehensive reform, to focus on displaying the functions of key cities to develop various horizontal economic relations, to focus on price and wage reforms to learn how to apply economic levers in an all-round way, and to focus on strengthening the overall control in order to restructure and perfect the systems of management, regulation, supervision, and control in the national economy, so as to lay a solid and reliable foundation for completing the urban economic structural reform in about 5 years.

#### Further Invigorate Enterprises in Urban Areas, Particularly Large and Medium Enterprises

In the urban reform, we must consistently regard invigorating enterprises as the central link of the reform. The focal point at present is to adopt practical and effective measures to invigorate the large and medium key enterprises. Therefore, we should first guide enterprises to pay attention to their own operational activities and successfully carry out various internal reforms in a down-to-earth manner, so as to bring the potential of enterprises into full play. Second, we should consolidate administrative companies, so as to truly transfer those powers which are retained by administrative companies at the middle levels to the lower levels. Third, we should designate smaller accounting units, so as to enable the relevant factories affiliated with large enterprises to carry out independent accounting and assume sole responsibility for their own profits or losses. We should also properly ease the tax burden on some overloaded enterprises, so as to gradually enable enterprises to have formation and development capabilities. The large and medium key enterprises are the principal part of the urban economy. If we can invigorate these enterprises, we can further invigorate the urban economy as a whole.

#### Further Open to the Outside World and Bring Into Full Play the Manifold Functions of Cities

Cities are produced by the development of the commodity economy. A city is different from a "castle", because a castle is closed, but a city is a place for exchanging commodities and its functions as a city determine that it be open. In the urban reform, Wuhan City boldly proposed "opening the city gates of Wuhan", "letting enterprises meet the challenge of the market and brave the storm of competition", and "letting enterprises seek their survival and development through opening and competition". As a result, it has not only brought prosperity to urban commerce, but also increased the quality of enterprises, strengthened the vitality of enterprises, and promoted the advance of urban industries and other trades. The practice of Wuhan has provided valuable experiences for the urban reform. At present, many cities are willing to open to the outside world, but they dare not open to the internal world for fear of suffering losses. This is an unnecessary worry. Reform means carrying out a policy of opening to both the outside and domestic worlds. With this policy, we have already attained great successes in rural areas, and we will surely achieve our anticipated

objectives in urban areas. The key to opening up cities lies in opening up various markets; not only markets of consumer goods, but also markets of the means of production. Furthermore, we should open up commodity markets and capital, technology, and labor service markets in a planned way. Only by so doing can we truly maintain a rational circulation of commodity, capital, technology, and qualified people, link various horizontal economic relations between the rural and urban areas and among urban enterprises, bring into full play the roles of various economic levers, and put into effect the varied functions of cities.

#### Actively and Prudently Do a Thorough Job in Carrying Out Price and Wage Reform; Further Display Their Roles as Economic Levers

The price reform has a bearing on the immediate interests of the 1 billion people in the country, while the wage reform has a bearing on the immediate interests of the 0.2 billion city dwellers. Because both are major events affecting the national economy as a whole, we cannot but adopt a prudent attitude toward them.

Regarding the price reform, we should consider three factors: First, the financial capability of the state; second, the absorption capability of enterprises; and third, the endurance capability of the masses. In light of the actual situation of these three capabilities, we can only adopt a principle of "combining relaxed control with readjustments and progressing in measured steps" at the present stage of the price reform. Meanwhile, during the process of the price reform, we should first do away with the old concept of "permanently keeping prices fixed and unchanged" to eliminate the nervousness of the people. Second, we should eradicate the idea that "reform means raising commodity prices" and resolutely check the tendency of hiking commodity prices. Third, we should take note of the psychological reactions of the people, so as to avoid panic buying as much as possible.

The wage reform is mainly to do away with the previous egalitarian wage system of "everyone eating from the same big pot". First of all, we should make the wage structure rational and then gradually raise the wage levels of workers and staff. According to the financial capability of the state, we can only at present carry out a structural wage reform and do not have the capability to raise the wages of staff and workers by a big margin. Therefore, it is also necessary to do a lot of propaganda and explanation work in light of the reform, so as to enable the masses to fully understand and consciously support every reform and create a good social environment for the reform.

#### While Microscopically Decontrolling and Invigorating the Economy, We Must Macroscopically Control It Well

It can be said that the reform includes both microscopically decontrolling and invigorating the economy and macroscopically controlling it well. In particular, the urban reform now is being carried out under the abnormal economic conditions resulting from last year's over-issue of currency and

credits and the over-growth of consumption funds. Because of the interference of new unhealthy tendencies like indiscriminately issuing bonuses and unreasonably raising prices, the reform has become even more difficult. Therefore, one of the important topics of the current urban reform is to further strengthen overall control and regulation. Of course, doing so does not mean to return to the old practice of unified control and management, but rather to adopt some new scientific management methods in accordance with the demands of economic development. For instance, regarding the mode of control, we should gradually change from the previous direct forms of control, such as controlling money and materials, to indirect regulation by economic levers. Regarding the content of control, we should change from the previous system of merely relying on administrative orders to impose bans and restrictions to applying legal and economic means to ease the situation. Regarding the management methods, we should change from the previous methods of launching mass movements to strengthening the economic legislation and judicial departments to conduct regular inspections and supervisions. These are just some ideas. At present, it is particularly necessary to display the functions of the Central Bank and strengthen the roles of the Central Bank in overall control. Only by so doing can we truly realize that "there is liveliness but not disorder, and control but not rigidity" and ensure that the reform develops healthily and smoothly.

The "Decision" adopted by the 3d Plenary Session of the 12th CPC Central Committee has already outlined a magnificent plan and pointed out the orientation for advance of the reform. With the explorations and practice over the last 6 years, the road of urban reform is unfolding before us more clearly than ever before. The flourishing of the urban reform, the prosperity of the country, and the happiness of the people in the future are inspiring us to unswervingly carry the urban reforms through to the end. As long as we forge ahead in the direction of reform pointed out by the 3d Plenary Session of the 12th CPC Central Committee, we shall steadily but surely attain our desired aims.

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PROVINCIAL AFFAIRS

GUANGDONG ECONOMIC ACHIEVEMENTS REPORTED

Guangzhou GUANGZHOU RIBAO in Chinese 14 May 85 p 1

[Article: "Economic Construction in Guangdong Province Last Year Attained Even Greater Achievements and a Better Overall Situation"]

[Text] In his government work report delivered at the Third Session of the Sixth Provincial Party Congress, Liang Lingguang [2733 7227 0342], governor of Guangdong Province, said: Our province has scored new achievements on the political, economic, scientific and technological, cultural and educational fronts in 1984. The situation is becoming better and better. As regards the new situation of last year's economic construction, Liang Lingguang said in his report:

--Industrial and Agricultural Production Has Developed in a Sustained, Stable and Harmonious Manner Under Readjustment: Last year, the gross value of social output throughout the province was 77.58 billion yuan, 16.4 percent over the preceding year. National income totaled 35.28 billion yuan, 14.3 percent over the preceding year. The gross value of industrial and agricultural output (GVIAO) was 53.55 billion yuan, 17.7 percent over the preceding year. Of this, the gross value of industrial output was 36.69 billion yuan and the gross value of agricultural output was 16.86 billion yuan, 20 percent and 13 percent over the preceding year, respectively. The index of the GVIAO for the "Sixth 5-Year Plan" was overfulfilled 1 year ahead of schedule. Currently, the rural labor power engaged in industry, commerce, transportation trade, construction and service trades constitutes 30 to 50 percent of the total labor power. The commodity rate for agricultural products is up by roughly 60 percent.

--New Progress Has Been Made in Economic and Trade Work, Signifying the Continuous Advance of Our Province in Opening Up to the Outside World: In foreign trade in 1984, we readjusted the commodity structure, instituted an agency for export business, improved business management and reduced deficits. We fulfilled a gross procurement amount of 4.92 billion yuan and a gross export amount of \$2.42 billion, both indicating a slight increase over the preceding year. The whole province signed a total of 17,500 contracts of all types in utilizing foreign capital, a 54.8-percent increase over the preceding year. The actual amount of foreign capital utilized totaled \$650 million, an increase of 59.4 percent.

--The Pace of Technological Transformation Has Been Accelerated: Last year, the investment in enterprise technological transformation throughout the province totaled 2.35 billion yuan, 11.4 percent higher than the preceding year and 8.4 times over 1979. This is a heartening change in the economic development of our province.

--Accelerated Development of Tertiary Industries Is an Important Facet of Guangdong's Economic Development: Last year, the gross value of output of the tertiary industries in Guangdong totaled 12.8 billion yuan, 21.6 percent higher than the preceding year. The employed population in these industries increased by 582,000. In 1984, the gross volume of retail sales of social commodities throughout the province was 27.33 billion yuan, 21.3 percent higher than the preceding year. Urban and rural fair trade continued to expand, market commodities were abundant, procurement and sales both thrived. The longstanding situation of shortages in market supply has changed.

--On the Basis of Production Development, Living Standards Have Improved Further: Last year, employment was expanded by means of multiple channels, as 310,000 urban individuals throughout the province who were awaiting employment found jobs. The income of staff members and workers and peasants continued to increase. The per-capita cost-of-living income of the staff members and workers throughout the province was 775 yuan, 14 percent higher than the preceding year. Taking out the factor of price inflation, the actual growth in income was 10.7 percent. The per-capita net income of the peasants was 425 yuan, up by 7.4 percent. The balance in urban and rural savings totaled 11.76 billion yuan, 47.1 percent higher than the end of the preceding year. Housing conditions for urban and rural residents have also obviously improved.

Liang Lingguang said: The new excellent situation is the result of our province's effort to further implement the reform of the economic system, to expand the scope of opening to the outside world and to continue to revitalize our economy.

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CSO: 4006/813

PROVINCIAL AFFAIRS

GANSU, ACADEMY OF SCIENCES AGREEMENT ON ECONOMIC DEVELOPMENT

HK190849 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 14 Aug 85

[Text] Yesterday afternoon the provincial people's government signed an agreement with the Chinese Academy of Sciences on jointly solving problems of science and technology in economic development and construction in Gansu. The contents of this agreement on scientific and technological cooperation include the exploration and rational exploitation of the natural resources in the province's key areas; environmental protection; ecological balance; construction projects in oases; the assessment of environmental technology; the solving of difficult technological problems in the province's economic construction; the building of scientific research basis and the promotion of such building; technological transformation in key trades and town and township enterprises; the digestion and assimilation of technology brought in; scientific and technological consultation; technological services; the training of talented people; and the exchanging of personnel.

This is the first time that the province has signed an agreement with a central scientific research organ on such a wide range of scientific and technological cooperation projects. The implementation of the agreement will play a positive role in promoting the province's economic construction in the field of relying on science and technology.

The signing ceremony was held in the (Zhongshan) hall of the provincial government. Hou Zongbin, provincial vice governor, and Yan Dongsheng, vice president of the Chinese Academy of Sciences, signed the agreement. Provincial Vice Governor Liu Shu attended the ceremony.

CSO: 4006/888

PROVINCIAL AFFAIRS

INCREASES IN ANHUI INDUSTRIAL RESULTS REPORTED

Hefei ANHUI RIBAO in Chinese 14 Jun 85 p 1

[Article by Qi Guang [7871 0342]: "Anhui's Industrial Growth Is Considerable and Its Economic Results Good; Provincial Economic Committee Vice Chairman Lu Tingzhi Delivers Speech"]

[Text] EDITOR'S NOTE ON ANHUI EDITION OF "JINGJI RIBAO" [ECONOMIC DAILY]: We have begun to attach importance and pay attention to the problem of not competing for speed in the economic work in various places. Some places have inappropriately pursued speed and compared their speed to that of the Great Leap Forward in 1958. This is obviously inappropriate. In short, on the problem of speed, the various places must proceed from reality, unify ideological understanding, seek truth from facts, act according to their capability, maintain a sober head, work without slackening, and guarantee the development of the economy in a sustained, stable, harmonious and healthy manner.

According to a report in the Anhui edition of JINGJI RIBAO, since this year, the industrial and communications front of Anhui Province has persevered in emphasizing party restructuring, reform and production simultaneously, and has achieved sustained and harmonious development and balanced and stable growth in production. The situation is quite good. At the invitation of this reporter, Lu Tingzhi [7120 1656 2784], vice chairman of the provincial economic committee, delivered a speech accordingly.

Lu Tingzhi said: The gross value of industrial output [GVIO] of the whole province from January to May this year constitutes 44.3 percent of the annual plan, with an increase of 27.2 percent compared to the corresponding period last year and higher than the average level of growth nationally. Energy and communications have developed steadily. We have produced 11,937,000 tons of raw coal, 7.05 percent over the corresponding period last year, and have generated 5,391,000,000 kWh of electricity, 16.41 percent over the corresponding period last year. The passenger turnover and freight turnover in local communications and transportation have increased by 7.8 percent and 23.6 percent respectively over the corresponding period last year. In the textile industry, production has gone up and results have improved, arresting

the 3-year downward trend in profits and taxes. Between January and May, it is estimated that an output value of 915 million yuan has been fulfilled, 13.63 percent over the corresponding period last year. At the same time, machine-building, electronics, construction materials and high-grade consumer products have continued to increase by a wide margin, realizing a balance between production and sales and simultaneous growth in profits and taxes.

Lu Tingzhi emphasized: Although our province's industrial production has increased by a relatively wide margin, it is practical and consistent with the provincial situation. The most fundamental reason is the implementation of the CPC Central Committee resolution on the reform of the economic system and Document No 5 of the provincial party committee, which has accelerated the pace of enterprise reform and fully mobilized the enthusiasm of the enterprises and the broad masses of staff members and workers. In addition, first, we have set a low starting point and a small base figure. In the first quarter of last year, due to the snow disaster, communications were cut off and some enterprises stopped production. On top of that, two generators were under repair, causing serious power restrictions. The value of industrial output only increased by 5.7 percent compared to the corresponding period in 1983 and did not reach the low 8 percent index. Wide-margin growth this year is therefore inevitable. Second, we have brought in coal and petroleum for power generation, thereby relaxing the shortage in energy supply and promoting production. Third, we have fulfilled in a better manner several targets. Compared to the corresponding period last year, between January and April, the state-run industrial enterprises within the budget have increased the profits and taxes from 18.4 yuan to 20.7 yuan for every 100 yuan of quota circulating funds; reduced the turnover of quota circulating funds from 118 days to 103.4 days; reduced the percentage of funds per 10,000 yuan in output value for products and finished products from 29.1 percent to 26.3 percent; and increased labor productivity by all personnel by 22 percent. This stable and healthy development will continue. It is estimated that the GVIO for the first half of this year will increase by 26.4 percent compared to the corresponding period last year.

Currently, some new problems have also appeared in industrial production. Lu Tingzhi said: The increasing income reduction due to price readjustment, the partial reduction of the planned distribution of energy and raw materials, the increase in the percentage of negotiated prices, and the price readjustment for short-distance transportation have exceeded the enterprises' absorption and endurance capabilities. Some enterprises have been unable to adapt to these changes. These are all problems that urgently await solutions. The cost of the comparable products has increased and the deficit of the small nitrogen fertilizer plant has increased. By the end of last year, at one point we had wiped out all deficit enterprises. From January to April this year, there are again 17 deficit enterprises with a total deficit of 1.24 million yuan and with relatively great shortages in certain raw materials. Some enterprises have already begun to draw from next year's grain and are awaiting further institution of funds and materials for technological transformation.

The next 7 months of this year will form the critical period for industrial production. We must seize the opportune moment, persevere in the principle of seeking truth from facts and advancing steadily, make improvement of economic results the starting point for our entire work, and maintain steady and harmonious development in the industrial production of the whole province. Lastly, Lu Tingzhi mentioned several measures: 1) Emphasize the implementation of Document No 5 of the provincial party committee, and increase enterprise vitality. 2) Give prominence to energy and communications work. 3) Vigorously increase the production of marketable products and vigorously produce goods for export in order to obtain more foreign exchange. 4) Emphasize technological progress. 5) Emphasize the increase in production of raw materials, and organize the various prefectures and cities and various sectors to coordinate in the exchange of such raw materials in short supply as steel products, caustic soda and soda ash. 6) Organize mass safety inspection and do a good job of safety in production.

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CSO: 4006/816

PROVINCIAL AFFAIRS

LI LIAN CALLS FOR DEVELOPING MOUNTAINOUS AREAS

SK190935 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 18 Aug 85

[Text] On 18 August, at the provincial meeting on developing and constructing the mountainous areas, Li Lian, secretary of the provincial CPC committee, pointed out that we should regard the development and building of the mountainous areas as one of the strategic emphases of the province's economic and social development and should vigorously strengthen the development and construction of mountainous areas in the course of continually grasping the construction of the plains.

Li Lian said: Mountainous areas in the province occupy a decisive position in economic development. The area of mountainous areas accounts for more than 50 percent of the province's total, and the population of these areas accounts for 45 percent. Mountain areas are rich in natural resources, and the deposits of many mineral resources rank first of the first several places in the country. Over a long time, affected by the idea of taking grain as the key link, the economy has developed very slowly in the province's mountainous areas, many natural resources in these areas have not yet been developed, and almost half of the land needs to be exploited. To end this situation, Li Lian called on all localities and departments in the province to enhance their understanding of the strategic position of the mountain areas in invigorating the province's economy, uphold the idea of linking the ecology, economy, environment, and education in line with natural laws and the demand of developing the economy, open the doors of the mountain areas in line with local situations, carry out scientific development and comprehensive management, and develop the commodity economy according to social demand.

To attain this goal, we should attend to the following points of work:

1. We should conscientiously implement the call of the central authorities on opening the doors of the mountain areas.
2. We should institute the economic contract system step by step.
3. We should strengthen management and protect the natural resources of mountain areas by law.
4. We should change the mountain areas' unitary development of forestry or animal husbandry to comprehensive development.

CSO: 4006/888

PROVINCIAL AFFAIRS

HEILONGJIANG MEETING ON DEVELOPING MOUNTAIN AREAS ENDS

SK220209 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 21 Aug 85

[Text] The 6-day meeting sponsored by the provincial CPC committee and government on developing and constructing mountainous areas ended in Dailing on 20 August. This meeting was the first of its kind ever held in the province to systematically study and resolve the problems of developing and constructing mountainous areas.

Li Lian, secretary of the provincial CPC committee, gave an important speech at the meeting. Chen Yunlin, deputy secretary of the provincial CPC committee, and Wang Lianzheng, vice governor, attended and presided over the meeting.

In his speech, Li Lian, secretary of the provincial CPC committee, said: To realize the goal of preserving and making full use of the green hills forever, it is most essential to make our forestry shift to the path of taking forest construction as a foundation. To this end, Li Lian called on all units in the mountainous areas across the province to integrate lumbering with consumption of forest resources, gradually control the volume of lumbering within that of growth, seal off mountains for afforestation, and cultivate natural young forests in a well-guided and planned manner. All lumbering bases, barren hills, mountain slopes, and low woodlands in particular, should plant man-made high-yielding forests.

In his speech, Li Lian also called on the various localities and departments throughout the province to make concerted efforts to promote scientific and technological progress in the mountainous areas, and to improve their social foundation conditions.

During the meeting, representatives visited the man-made forests of the Dailing Forestry Experimental Bureau.

CSO: 4006/888

PROVINCIAL AFFAIRS

RELEASE OF PORK PRICE BY SHAANXI GOVERNMENT REPORTED

Xi'an SHAANXI RIBAO in Chinese 18 May 85 p 1

[Text] In light of the spirit of the notice of the State Council on readjusting the procurement and sales policy and price of hogs, our province has abolished assigned procurement of hogs and released the procurement price as of 1 April this year. Since the implementation of the above, hog production throughout the province has been stable and rising, commercial procurement has increased, storage has been sufficient, market price has been stable and supply has been normal. In order to further rearrange the prices which will be favorable to promoting production, revitalizing circulation, satisfying the daily increasing need for meat by the urban and rural population, the provincial people's government recently dispatched a notice on the decision to release the sales price for pork and to implement multichannel management and planned negotiated procurement and sales as of 20 May. As for the urban nonagricultural population which relies on the supply of grain according to the state unified sales price, additional expenses will result from the increase in the sales price of pork and the chain reaction on the prices of other fresh and live commodities. In this case, appropriate subsidies will be given separately. In the future, while the pork price will fluctuate, the subsidies will remain constant.

The notice of the provincial people's government asks that, after the release of the procurement and sales prices of hogs, the state-run food products companies utilize such strengths as network outlets, personnel, funds, technology and facilities, utilizing also the economic means rendered by the state to continue to shoulder the tasks of supporting production, doing a good job of supply, and balancing the meat price. They must boldly participate in market regulation, promote planned negotiated procurement and sales and appropriately widen seasonal price differences as well as the price differences between fat and lean meat and fresh and frozen meat. They must make full use of the price lever to guide production and regulate consumption.

The notice emphasizes that pork is a major commodity among the nonstaple foods which is related to the prosperity of the market and the improvement of the people's livelihood. After releasing the sales price, a chain reaction will result. Strict control must be implemented in various localities. The prices of those nonstaple foods which originally enjoy a greater profit or which embody a greater potential for lowering cost should not be raised. A portion

of cost increases must be handled by the enterprise internally. If a price increase is necessary, it must be reported for approval by the appropriate jurisdiction over price management. As for the catering trade, when the readjustment of the sales price is necessary for some varieties due to the increase in pork price, rational arrangement can be made by the prescribed jurisdiction over price management under the principle of not expanding the existing gross profit rate and low-interest operation. Price increases are not permitted for relevant products among the consumer industrial products. Concerned departments must strengthen market management and price supervision and inspection, and must strictly handle those units and individuals involved in indiscriminately expanding the scope of price readjustment, in indiscriminately inflating prices, in indiscriminately collecting fees and in disrupting the market, so as to safeguard consumer interests.

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CSO: 4006/816

PROVINCIAL AFFAIRS

BRIEFS

SICHUAN EXPORTS EXCEED IMPORTS--Since last year Sichuan has shipped out more goods than it has brought in, reversing the previous situation. Last year the province shipped out 7.61 billion yuan worth of goods, 2.2 billion more than the value of goods shipped in. In the first half of this year, external sales by state-owned commerce and supply and marketing cooperatives rose by 50 percent compared with the same period last year, while sales of goods shipped in rose by only 26 percent. Agricultural, sideline and indigenous products account for a major portion of the goods shipped out of Sichuan. Over 200,000 more porkers were shipped out to other provinces by state-owned commerce from January to June this year than in the corresponding period of last year, while wine shipments rose by 75,000 tons and shipments of sun-cured tobacco and hemp rose by 8 percent and 48 percent, respectively. The external sales performance of industrial products has also been very good. From January to June this year, state-owned commerce and the factories sold 270 percent more chemical fiber cloth, 300 percent more silk and satin, and 25.8 percent more chemical fertilizer outside Sichuan than were shipped into the province. External sales of motorcycles, tractors, bricks and tiles and cement were also quite good. [Text] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 24 Aug 85]

NEI MONGGOL PURCHASING POWER INCREASES--The purchasing power of peasants and herdsmen of our region has been increasing continuously and the markets in the rural and pastoral areas are becoming brisker. According to statistics compiled by the regional supply and marketing cooperatives, the retail sales of the means of subsistence of all regional supply and marketing cooperative units in the first 7 months of the year reached 687.31 million yuan, an increase of 9.6 percent over the same period of last year. Judging from the structure of their purchasing power, the peasants and herdsmen have paid increasing attention to nonstaple foods which are of medium and high grades, multiple varieties, nutrition and good taste. As for clothing, young- and middle-aged peasants and herdsmen are generally running after diversified, seasonal and urban fashions. The purchases of expensive consumer goods are also brisk. From January to July, the sales of television sets by the regional supply and marketing cooperatives increased by more than 100 percent over the same period of last year. Peasants and herdsmen are also eager to buy bicycles, motorcycles, electric fans and expensive good furniture. [Text] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 22 Aug 85]

CSO: 4006/888

# AGGREGATE ECONOMIC DATA

## NATIONAL ECONOMIC STATISTICAL DATA

Beijing TONGJI [STATISTICS] in Chinese No 4, 17 Apr 85 pp 44-48

[Text]

Table 1. Industrial and Communications Production, January to February 1985

	Unit	Quantity		Jan-Feb 1985 com- pared to same pe- riod last year (%)	Feb 1985 compared to same period last year (%)
		Jan-Feb 1985	Feb 1985		
Output of Major Products					
Bicycles	10,000	460.39	209.58	107.2	107.8
Sewing machines	10,000	141.05	64.84	92.4	96.2
Wristwatches	10,000	627.5	300.8	116.0	119.7
Television sets	10,000	234.69	110.54	183.1	188.8
Radios	10,000	267.76	122.66	62.5	58.3
Washing machines for home use	10,000	114.99	55.81	184.2	186.0
Cameras	10,000	22.86	10.83	140.1	135.5
Electric fans	10,000	394.25	174.94	237.5	217.9
Refrigerators for home use	10,000	13.76	7.39	303.5	351.3
Chemical fiber	10,000 tons	14.71	7.20	133.5	134.1
Of this: synthetic fiber	10,000 tons	11.14	5.45	132.5	131.0
Yarn	10,000 tons	49.43	23.00	103.5	101.3
Cloth	100 mil- lion meters	19.61	9.11	96.4	94.0

[Table 1, cont.]

Silk	10,000 tons	0.57	0.25	109.4	108.0
Silk products	100 million meters	1.87	0.87	120.8	115.4
Woolen fabric	10,000 meters	3,155	1,461	137.8	136.8
Woolen yarn	10,000 tons	1.74	0.81	107.3	105.3
Sugar	10,000 tons	212.02	91.66	118.8	104.6
Crude salt	10,000 tons	57.4	22.4	91.2	75.5
Cigarettes	10,000 boxes	406.6	178.2	128.1	136.0
Beer	10,000 tons	25.03	13.12	146.3	159.6
Machine-made paper and cardboard	10,000 tons	117.63	56.44	121.9	117.5
Synthetic laundry detergent	10,000 tons	15.04	7.39	131.8	129.4
Light bulbs	100 million	2.32	1.08	112.9	110.0
Raw coal	10,000 tons	12,355	5,513	113.6	110.3
Crude oil	10,000 tons	1,977.5	948.4	109.6	109.0
Natural gas	100 million cu. meters	21.34	10.21	105.6	106.1
Power generating	100 million kWh	627.0	292.1	108.1	104.6
Of this: Hydro-electricity	100 million kWh	103.4	48.7	98.3	97.2
Pig iron	10,000 tons	677.8	323.2	106.4	104.2
Steel	10,000 tons	725.9	351.7	106.1	103.7
Steel products	10,000 tons	578.44	278.20	110.5	106.0
Coke (machine-coking)	10,000 tons	603.21	288.25	105.1	103.7
Sulphuric acid	10,000 tons	98.64	48.12	73.6	72.4
Soda ash	10,000 tons	32.18	15.11	100.7	97.8
Caustic soda	10,000 tons	35.78	17.12	103.3	100.1

[Table 1, cont.]

Ethylene	10,000 tons	11.28	5.29	98.4	91.5
Synthetic ammonia	10,000 tons	307.24	150.39	112.6	106.8
Chemical fertilizer	10,000 tons	237.96	116.58	104.1	98.6
Chemical drugs	10,000 tons	0.87	0.43	105.6	99.6
Farm chemicals	10,000 tons	3.84	1.83	79.2	69.6
Tire casing	10,000	281.57	139.40	118.8	118.4
Plastic materials	10,000 tons	19.19	9.05	98.0	94.7
Timber*	10,000 cubic meters	592	243	97.8	95.6
Manmade board	10,000 cubic meters	18.65	9.03	102.2	99.9
Cement	10,000 tons	1,856.7	904.1	118.0	111.9
Plate glass	10,000 standard boxes	888.13	416.70	123.9	115.9
Mining equipment	10,000 tons	4.46	2.32	139.8	153.6
Power generating equipment	10,000 kW	33.79	23.68	352.0	441.0
Metal-cutters	10,000	2.23	1.08	122.5	125.6
Automobiles	10,000	6.33	2.95	158.6	165.7
Tractors (at and above 20 HP)	10,000	0.87	0.42	122.5	131.2
Small tractors	10,000	12.21	5.83	145.2	160.6
Locomotives	1	117	49	124.5	119.5
Internal combustion engines	10,000 HP	816.7	376.1	166.2	161.8
Communications and Transport					
Railway freight volume	100 million tons	1.95	0.92	102.2	97.9
Freight volume of ships directly under the Ministry of Communications	100 million tons	0.27	0.13	106.1	103.1

\*Timber output only includes the figures for the Northeast Forestry Region and the Nei Monggol Forestry Region.

Table 2. Major Economic Indices of 46 Cities in 1984

Index	Unit	1984	Increase or de- crease (%) in 1984 over 1983
Gross value of industrial output	100 million yuan	2,293.8	9.2
Net value of industrial output	100 million yuan	755.3	12.1
Income from sales of products	100 million yuan	2,182.5	9.3
Gross amount of profit and taxes	100 million yuan	555.4	9.9
Profit and taxes delivered to the state	100 million yuan	438.3	5.2
Number of enterprises in deficit	1	392	-35.1
Amount of deficit of enterprises in deficit	100 million yuan	4.4	-19.9
Scope of deficit	%	3.9	- 2.1
Net value of fixed assets	100 million yuan	1,003.0	6.5
Amount of fixed circulatory funds to be used without repayment	100 million yuan	619.5	10.4
Of this: Funds for products and finished products	100 million yuan	101.4	21.7
Income from sales per 100 100 yuan of output value	yuan	96.8	- 0.9
Profit and taxes realized per 100 yuan of output value	yuan	24.2	0.2
Profit and taxes realized per 100 yuan of funds (of this, fixed assets are calculated from net output value)	yuan	34.2	0.6
Cost of every 100 yuan of output value	yuan	71.5	- 0.1
Material consumption per 100 yuan of output value	yuan	66.5	- 0.5

[Table 2, cont.]

Average number of days of turnover of fixed circula- tory funds		day	103.6	1.0
Number of staff members and workers		10,000 people	1,273.9	0.9
Labor productivity for all personnel:				
--Calculated according to gross output value		yuan	18,006	8.2
--Calculated according to net output value		yuan	5,929	11.0

Table 3. Commodity Supply in Urban And Rural Retail Markets, Jan-Feb 1985

	Unit	Absolute figures		Rate of growth	
		Jan-Feb 1985	Feb	Jan-Feb 1985 com- pared to same period the year before (%)	Feb
Retail Sales, Social Commodities	100 mil- lion yuan	657.9	320.2	132.9	140.9
Of this: Retail sales of consumer goods	100 mil- lion yuan	598.7	293.9	134.1	145.9
Sales of Major Commodities					
Hogs	10,000 head	1705.0	843.7	77.2	88.8
Fresh eggs	10,000 dan	169.9	93.9	103.4	144.0
Aquatic products	10,000 tons	27.5	15.1	81.4	99.3
Salt	10,000 tons	175.5	77.0	110.0	105.5
Edible sugar	10,000 tons	113.3	50.3	122.4	130.6
Cigarettes	10,000 boxes	445.0	216.6	117.1	125.9
Wine	10,000 tons	81.4	41.7	105.0	108.6
Cotton cloth	100 million meters	11.4	4.8	140.7	137.1
Mixed cotton and chemical fiber cloth	100 million meters	4.7	2.1	106.8	105.0
Chemical fiber cloth	100 million meters	2.0	0.8	117.6	114.3
Matches	10,000 pieces	391.5	177.9	96.6	93.0
Soap	10,000 boxes	704.2	289.6	116.2	100.6
Laundry detergent	10,000 tons	10.9	5.0	121.1	111.1
Sewing machines	10,000 sets	168.6	70.8	117.9	114.4
Wristwatches	10,000	894.7	448.3	167.7	174.6
Bicycles	10,000	416.9	188.6	120.3	115.8
Transistor radios	10,000 sets	398.4	183.4	112.4	112.2
Television sets	10,000 sets	246.8	125.4	159.1	194.4

Note: The amount of retail sales of social commodities does not include the amount of retail sales from peasants to nonagricultural residents. The volume of sales of the major commodities represents figures for state-run commercial units and supply and marketing cooperatives.

Table 4. Commodity Procurement, Imports and Exports of State-Run Commercial Units and Supply and Marketing Cooperatives, Jan-Feb 1985

	Unit	Absolute figures		Rate of Growth	
		Jan-Feb 1985	Feb	Jan-Feb 1985 compared to same period the year before (%)	Feb
Total Net Domestic Procurement	100 million yuan	490.4	214.4	126.2	122.5
Volume of Procurement of Major Commodities					
Hogs	10,000 head	1695.0	734.5	77.3	82.2
Fresh eggs	10,000 dan	147.3	80.1	107.1	86.1
Aquatic products	10,000 tons	17.1	7.1	83.0	79.8
Salt	10,000 tons	141.2	63.2	96.6	86.9
Edible sugar	10,000 tons	185.3	81.4	128.5	110.7
Cigarettes	10,000 boxes	380.6	160.2	128.5	121.5
Wine	10,000 tons	63.4	29.3	100.2	96.7
Cotton cloth	100 million meters	8.9	4.5	127.1	128.6
Mixed cotton and chemical fiber cloth	100 million meters	4.3	2.1	100.0	95.5
Chemical fiber cloth	100 million meters	1.6	0.7	106.7	100.0
Matches	10,000 pieces	298.2	128.4	79.1	69.8
Soap	10,000 boxes	570.0	249.9	99.7	84.1
Laundry detergent	10,000 tons	10.5	4.7	128.0	104.4
Sewing machines	10,000 sets	118.0	57.4	94.9	99.5
Wristwatches	10,000	673.2	306.1	128.4	130.5
Bicycles	10,000	373.0	170.6	108.1	101.4
Transistor radios	10,000 sets	222.8	103.2	77.1	67.8
Television sets	10,000 sets	133.4	67.3	137.4	159.1

[Table 4, cont.]

Gross Import-Export Value	100 million yuan	253.8	127.6	184.4	187.4
	\$100 million	90.6	45.4	130.2	132.0
(I) Gross export value	100 million yuan	102.6	48.9	146.4	146.2
	\$100 million	36.6	17.4	103.3	103.0
(II) Gross import value	100 million yuan	151.2	78.7	223.7	227.2
	\$100 million	54.0	28.0	158.2	160.2

Note: The gross import-export value is a telegraph figure from the customs statistics. Figures for gross value in Renminbi are converted from the dollar.

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CSO: 4006/745

AGGREGATE ECONOMIC DATA

NATIONAL STEEL CONSUMPTION STATISTICS PUBLISHED

Beijing JINGJI RIBAO in Chinese 6 Jun 85 p 3

[Table: "Statistics on National Steel Consumption from January to April 1985"; issued by the Industrial and Communications Materials Office of the State Statistical Bureau]

[Text] Using 100 as an index of consumption for the corresponding period last year, the growth in steel consumption in various places is as follows:

Unit: percent

Region	Sum total of consumption	Production consumption	Consumption by capital con- struction
National totals	18.4	15.3	30.6
Beijing	23.0	17.5	36.5
Tianjin	20.0	15.3	41.0
Hebei	21.4	17.5	32.6
Shanxi	13.6	10.7	20.6
Nei Monggol	15.6	13.7	21.7
Liaoning	15.0	14.4	18.3
Jilin	16.9	16.6	19.2
Heilongjiang	22.2	22.0	23.0
Shanghai	3.9	- 1.7	32.8
Jiangsu	12.5	13.8	8.0
Zhejiang	22.9	18.4	36.6
Anhui	17.1	16.5	19.0
Fujian	34.5	36.7	29.2
Jiangxi	28.1	22.5	45.5
Shandong	13.4	12.0	24.4
Henan	21.9	17.3	35.7
Hubei	22.1	25.1	12.5
Hunan	44.2	51.1	12.9

Guangdong	20.4	8.9	38.9
Guangxi	16.9	10.3	38.1
Sichuan	22.5	18.7	35.4
Guizhou	22.5	16.3	36.4
Yunnan	13.5	10.3	18.5
Xizang	-	-	-
Shaanxi	19.3	20.4	16.0
Gansu	32.5	36.7	17.9
Qinghai	16.0	18.8	11.1
Ningxia	47.2	60.7	-
Xinjiang	19.8	20.0	19.5

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CSO: 4006/813

ECONOMIC MANAGEMENT

TWO PROBLEMS IN RURAL ENTERPRISE DEVELOPMENT PINPOINTED

Chengdu SICHUAN RIBAO in Chinese 5 Jun 85 p 4

[Article by Zhu Xiaowen [2612 2556 2429]: "Two Problems Which We Must Attach Importance to in Developing Rural Enterprises"]

[Text] Since implementation of the output-related household contract responsibility system, we have made a second breakthrough in the rural reform--readjustment of the industrial structure. Many leading cadres are beginning to be emancipated from traditional concepts. They have emphasized the development of rural enterprises [xiangcun qiye 6763 2625 0120 2814] as a breakthrough measure in doubling rural output with remarkable results. This is certainly heartening. However, in our investigation, we have discovered that some places have failed to pay attention to the scientific and general arguments for developing rural enterprises, and have therefore failed to implement a rational overall program for development. In setting up an enterprise, they have also failed to carry out feasibility studies and failed to consider development prospects and economic results after entry into production. Consequently, there has been considerable blindness. These are the two common problems.

In terms of concrete manifestations: One is "redundancy" in development. This primarily refers to the development of the same category of productive undertakings in the same area. Having many enterprises of the same category encourages enterprises to improve production technology, lower product costs, improve product quality and increase competitive ability. This certainly has its advantages. However, in terms of certain productive undertakings, the demand of products by society is limited. Having many enterprises of the same category will result in excessive output over social demand. A portion of the products will therefore not be converted to commodities and the value compensation and material exchange of these products will not be realized. The enterprise will stop production, while complementary facilities will no longer be utilized. They will either be disposed of at low prices or will be changed into scrap iron. Great losses will result.

Second is the "command style" in development. Some leading units have organized concerned personnel to visit the advanced areas. Instead of integrating the experiences of others with local reality so as to develop enterprises with local characteristics on the basis of properly implementing

the general program , these personnel adopt the method of distributing quotas in determining the projects for development of the enterprises, and institute work rapidly and on a large scale. In order to fulfill their "tasks," the basic-level organizations are therefore forced to "start their projects" blindly. Some projects very easily involve several hundred thousand yuan of investment. In face of insufficient funds, loans are requested. Some banks which originally were reluctant to offer loans for some projects are compelled to "render support" in light of instructions from administrative departments. As a result, the blind development of rural enterprises becomes unchecked.

The above investigation and analysis have made no attempt to restrict the development of rural enterprises. The purpose is to stress the need to establish the concept of economic results in developing rural enterprises and to pay attention to overall arguments and feasibility studies, so as to enable the rural enterprises to develop in a sustained, stable and harmonious manner.

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## ECONOMIC MANAGEMENT

### ECONOMIC RESULTS OF EIGHT MARKETS COMPARED

Beijing JINGJI RIBAO in Chinese 5 Jul 85 p 1

[Article: "Comparison of the Economic Results of Eight Markets in the First Six Months"]

[Text] EDITOR'S NOTE: The first 6 months of the year have passed. How are the business and economic results of some large markets throughout the country? The following is a report of the situation of eight markets (stores) in six cities which the reporters of this paper have visited. We ask that the concerned units read through and compare them, and see what they can do to improve work in the next 6 months.

#### 1. The Wuhan Market

In the first half of this year, the Wuhan Market underwent a large-scale remodeling. Under the circumstance of renting a temporary business location, businesses reported sales increases of 46.95 percent compared with the corresponding period last year; a growth in gross profits of 64 percent; and a growth in the taxes and profits delivered to the state of 47.62 percent. The per-capita sales volume was 38,563 yuan, 53.34 percent over the same period last year. (Wang Mingjian [3769 2494 0256])

#### 2. The Dongfeng Market in Beijing

The Dongfeng Market in Beijing has scored a record high in the major economic indices in the first half of this year. The gross sales volume was up by 72.26 percent compared to the corresponding period last year. Profits were up by 78 percent compared to the same period last year. Fund turnover was some 32 days, more than 4 days faster than the same period last year. The per-capita sales volume was 63,300 yuan, 48.59 percent more than the same period last year. The primary measures which the Dongfeng Market adopted were: (1) Transferring the power to expand the scope of commodity self-procurement to the lower level and implementing three-level management by the market, commodity department and business group. (2) Holding sales exhibits on superior, new, famous and special single-item commodities. (3) Persevering in

establishing evening markets and lengthening business hours. (Liu Ziping [0491 5261 1627])

### 3. The Xinjiekou Department Store in Nanjing

In the first half of this year, the gross volume of sales of the Xinjiekou Department Store in Nanjing was up 49.62 percent compared to the corresponding period last year. Under the circumstance of the increase by nearly 1 million yuan in such expenses as educational funds, urban protection, transportation and interest, net profits and profits and taxes delivered to the state registered 37.82 percent and 48.61 percent increases respectively over the same period last year.

As of June, the Xinjiekou Department Store has again instituted the "three responsibilities" activity of being responsible to the state, to industry and to the consumers with emphasis on improving presale, sales and post-sale service quality. (Wang Youlin [3769 0645 2651])

### 4. The Tianjin Department Store

This year, the Tianjin Department Store has changed the 11 commodity departments into 11 independent-accounting shops. Every shop has its own decision-making power over its business. A diverse economic responsibility system of has been set up and perfected, and business has become more alive. In the first half of this year, the net sales volume was up 66 percent compared to the corresponding period last year. Profits were up 55 percent compared to the same period last year, while taxes delivered to the state were up 40 percent. Per-capita sales volume was 58,573 yuan, up 37 percent compared to the same period last year. The expense rate was 2.87 percent, down by 0.27 percent compared to the same period last year. Both sales volume and profits have for the first time occupied the No 1 position among the same undertakings throughout the municipality. (Guo Maosheng [6753 5399 3932])

### 5. The Quanye Shopping Mall in Tianjin

This year, the various commodity departments and markets under the Quanye Shopping Mall in Tianjin have signed contracting agreements and have improved service quality accordingly. In the first half of this year, the sales volume was up 45.76 percent compared to the corresponding period last year. The Profits were up 33.22 percent, while taxes delivered to the state totaled 7.24 million yuan, an increase of 1.65 million yuan compared to the same period last year. The per-capita sales volume was 61,504 yuan, up 18,231 yuan compared to the same period last year. The expense rate was 2.74 percent, an increase by 0.15 percent compared to the same period last year. (Lu Panqing [4151 4149 0615])

#### 6. The Shanghai No 1 Department Store

The gross sales volume from January to June this year for the Shanghai No 1 Department Store was up 83 percent compared to the same period last year, while total profits increased by 92.53 percent. The income tax and regulatory tax delivered to the state were up 115 percent compared to the same period last year, while expenses per 100 yuan in sales were 1.32 yuan, a 15-percent reduction. The per-capita sales volume was 106,872 yuan, up by 76.8 percent compared to the corresponding period last year.

A deputy manager of this store told the reporter that, in order to revitalize business, they have shattered the unitary goods-import channel and promoted links between the store and the factories on a broad scale in order to procure superior-quality and name-brand products from various places. In the last half year, the store has also held on numerous occasions sales exhibitions of superior-quality and name-brand products and has promoted sales accordingly. (Shen Zejin [3088 0463 3866])

#### 7. The Shanghai No 10 Department Store

The gross sales volume from January to June this year of the Shanghai No 10 Department Store was up 87.41 percent compared to the same period last year. Total profits were up 107.21 percent, while income tax and regulatory tax delivered to the state were up 89.22 percent compared to the same period last year. The per-capita sales volume was 83,889 yuan, up 76.56 percent compared to the same period last year, while expenses per 100 yuan in sales were 1.27 yuan, a 25.3-percent reduction.

In implementing the contract responsibility system in business inside the enterprise, the Shanghai No 10 Department Store has, in light of market information, positively organized marketable products and increased such high-grade large commodities in short supply as gold and jewelry cabinets, cameras, television sets, tape recorders and refrigerators this year. In addition, it has held at regular intervals sales exhibits of seasonable commodities or new products. (Shen Zejin)

#### 8. The Minsheng Department Store in Xian

The net commodity sales volume from January to June of the Minsheng Department Store in Xian was some 32.67 million yuan. Expenses per sales of 100 yuan of commodities were 3.32 yuan. Profits realized per 100 yuan of commodities sold were 7.28 yuan. The per-capita sales volume was 52,792 yuan. Total profits were some 2 million yuan. Profits and income tax delivered to the state totaled 1,311,700 yuan. (Zhang Dongshun [1728 2639 7311])

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## ECONOMIC MANAGEMENT

### BRIEFS

ECONOMIC MANAGEMENT ACADEMY ESTABLISHED--The Ministry of Education has recently approved the establishment of the Economic Management Academy by the Huazhong Institute of Technology in an effort to satisfy the urgent need of the four modernizations for trained personnel in economic management. In the last few years, the Huazhong Institute of Technology has successively established three specializations in materials management engineering, industrial management engineering and technological economics, and has also established such specializations as management of institutions of higher learning, materials management, machinery management, administrative management of electrical power enterprises, and technological management of electrical power enterprises, as well as special subjects for cadres. This year, it will also establish a special subject for cadres in media management. [Text] [Wuhan CHANGJIANG RIBAO in Chinese 24 May 85 p 1] 9335

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FINANCE AND BANKING

REDUCTION OF ADMINISTRATIVE EXPENDITURES URGED

Beijing CAI ZHENG [FINANCE] in Chinese No 7, 8 Jul 85 pp 1-2

[Article by Tien Inong [3944 0001 6593]: "Administrative Expenditures Must Be Reduced"]

[Text] Administrative expenditures throughout the nation have taken a quantum leap in recent years, occupying an increasing proportion of the total expenditures disbursed by the state and showing signs of a steady upward trend. According to preliminary estimates, administrative expenditures in 1984 came to as much as 12.16 billion yuan, showing an increase of 3.18 billion yuan and a growth rate of 35.4 percent compared to 1983 and an increase from 7 percent to 8 percent of the total expenditures of the state, a growth rate unprecedented since the establishment of the republic. The overly rapid increase in administrative expenditures is both an economic and a political problem. Unless measures are taken to arrest the trend, there is no question but that the economic and political life of the nation will be jeopardized.

Deeply concerned over the problem, the State Council has repeatedly stressed the need to reduce administrative expenditures and disbursements. In February, it issued a "Notice Concerning the Reduction of Administrative Expenditures" calling for a 10-percent reduction on the part of central and local governments in 1985. In their reports at the Third Session of the Sixth National People's Congress, both Premier Zhao Ziyang and Wang Bingqian [3769 0014 0051], member of the State Council and concurrently minister of finance, took the occasion to discuss the need to reduce administrative expenditures and to curb the purchasing power of certain groups in society. Recently, leadership cadres in the State Council have again stated that the call for reducing administrative expenditures by 10 percent must be answered with deeds. Now that the decision had been adopted by the National People's Congress, administrative expenditures must be reduced by no less than 10 percent, each province and city must be inspected and supervised and national organizations must take the lead in setting an example. The financial departments at various levels must assume direct responsibility for carrying out the instructions of the leadership comrades in the State Council, make a specific study of the ways and means to reduce administrative expenditures, and ensure the successful completion of the task.

Many factors are responsible for the increase in administrative expenditures at too rapid a rate during the last 2 years. Some of the factors may be considered normal and within reason. For instance, in keeping with the relevant regulations and with the approval of the state, the setting up of additional organizations and the increase in personnel, including the establishment of administrative offices in the villages and the beefing up of public security contingents procuratorial and legal personnel, the resettling of members of the armed forces, the employment of cadres and college and middle school graduates and finding jobs for those in the quit-and-then-rest system and retirees all call for extra outlays and additional expenditures for purchasing the necessary equipment and installations. Be that as it may, there is considerable leeway for reducing administrative expenditures, many of which are not warranted and cannot be considered as absolutely necessary. (1) A considerable portion of the additional disbursement of 100 million yuan for the employment of extra personnel year may be attributed to the laxity of control on the part of certain localities, departments and units over the size of their staffs, their tendency to add to the number of setups and the size of their staffs at will and especially to the unwarranted increase in wage subsidies. Among administrative expenditures last year, wage subsidies amounted to 1 billion yuan, showing an increase of 360 million yuan and an increase of 55 percent compared to the previous year. A considerable part of the increase may be accounted for by the tendency on the part of the administrative departments to match the wages paid by the enterprises and by the larger amount of bonuses, the greater number of subsidized items and increased payments in kind made by the administrative departments in an indiscriminate manner. (2) In 1984, the cost of repairs came to 2 billion yuan, more than 570 million yuan or 39.6 percent higher than the previous year. Despite the enormous increase in repair costs in the last few years, houses remain largely in a state of disrepair. According to an estimate based on investigations in certain localities, some 50 percent of the funds earmarked for housing repairs has instead been used for the construction of new houses and extension projects. At the same time, many organizations are known to have incurred additional administrative expenditures by renting guest-houses and hostels as offices. (3) Certain departments and units, showing no restraint in spending money and vying with each other to maintain appearances, have caused enormous waste by purchasing large numbers of luxury cars and high-priced consumer items regardless of the cost. Last year 11 billion yuan in administrative expenditures was incurred for the purchase and installation of equipment, that is, 550 million yuan or 120 percent over the figure for the previous year. Part of the expenditure is pure extravagance and waste. (4) In 1984, allowances for attending conferences and business trips came to 920 million yuan, showing an increase of 230 million yuan or 33.3 percent over the figure for the previous year. Although part of the increase in the payment of such allowances may be justified, many problems remain. There are, for instance, too many conferences extending over too long a period of time and held on too large a scale. Some units even use the holding of conferences as a pretext for indulging in wining and dining, in sightseeing and in giving out bonuses and "souvenirs." The tendency on the part of certain units to emulate and outdo each other in spending money has created a problem of serious

proportions. Although an end has in the main been put to this unhealthy trend as a result of repeated injunctions issued by the CPC Central Committee and the State Council, waste may still be found in certain units in certain localities. (5) In 1984, operational expenditures came to 1.45 billion yuan, showing an increase of 570 million yuan and a 65.1 percent growth rate compared to the previous year. Although additional expenditures cannot be considered absolutely necessary. By vying with each other in putting out publications and large amounts of printed materials, for instance, certain departments and units have incurred additional unjustifiable subsidies and expenditures.

While the increase in administrative expenditures may be warranted by a number of objective factors, a large part of the increase cannot be so justified. There is still considerable room for reducing administrative expenditures. It may also be noted that there are many factors favoring the reduction of administrative expenditures. First, instructions to this effect have been issued by the leading comrades in the CPC Central Committee and the State Council, documents have been put out by the State Council, the Central Discipline Inspection Commission and the Central Advisory Commission, and a resolution has been adopted by the National People's Congress. There is no question but that the authorities are united in their determination to reduce administrative expenditures. Second, the party committees and governments at various levels have set a high priority on the reduction of administrative expenditures, and specific measures to that effect have been adopted by an overwhelming majority of the localities and departments, many of which have joined forces in correcting the unhealthy tendency which has cropped up and in devising the necessary measures to reduce administrative expenditures. Third, through the consolidation of the party organization and the heightening of the political consciousness of large numbers of party members and cadres, the awareness of the need for party organizations at various levels to implement the policies and principles of the C C Central Committee has been greatly reinforced. All these factors serve to ensure that the reduction of administrative expenditures can be accomplished.

Aside from the resolute implementation of the "Notice Concerning the Reduction of Administrative Expenditures" issued by the State Council in 1985, attention should be directed to the following:

First, it is necessary to heighten the awareness of the importance of reducing administrative expenditures. It was Comrade Mao Zedong who, in the early period following the establishment of the republic, made the streamlining of the administrative structure and the reduction of military and political expenditures one of the necessary conditions for stabilizing state finances. Again, at the time of the First 5-Year Plan, he proposed that military and political expenditures be reduced from 30 to 20 percent of the national budget so that more funds might be used for economical construction. The year before last, the leading comrades in the State Council issued instructions that there should be a 3-year period of belt-tightening if the financial situation was to take a basic turn for the better. This year, a resolution was adopted at the Third

Session of the Sixth National People's Congress and a notification was issued by the State Council stressing the importance of reducing administrative expenditures. Such reductions will also help to check unhealthy tendencies that have recently cropped up and to promote the excellent tradition of waging arduous struggle. This task is not just a matter of expediency; it is a policy which must be implemented over a long period of time. We must reach a common understanding, heighten our consciousness and resolutely seek to accomplish the task assigned to us by the State Council.

Second, we must grasp the focal point of the need to reduce administrative expenditures and proceed with our task stage by stage. With a view to accomplishing the task of reducing administrative expenditures and ensuring implementation of the policy, the Ministry of Finance, mindful of the budget for administrative expenditures passed by the National People's Congress and of the actual manner in which the policy was being implemented last year, has issued to the various areas quotas setting limits for the disbursement of administrative expenditures in hopes that the various areas and departments would take into consideration the actual circumstances of the localities and see to it that the policy is being implemented down to the basic levels.

The main reason for calling for a reduction of administrative expenditures is that an excessive amount of bonuses, allowances, subsidies, wages in kind, expenditures for the purchase of equipment and repairs and allowances for attending conferences had been paid last year. The reduction of such expenditures would neither affect the development of normal operations nor create bothersome problems. All we have to do is to defer taking action in doing what can be done and put off the purchasing of equipment which can be purchased at a later date. Aside from that, strict attention must be paid to the expenditure of funds allocated for specific purposes. Expenditures for capital construction, for instance, must come out of funds budgeted for capital construction investment and not out of administrative expenditures.

Third, strict control must be exercised over staffing and budgetary allocations. The various localities and departments must adhere firmly to the spirit of the "Notice Concerning the Reduction of Administrative Expenditures" issued by the State Council and refrain from increasing the size of their staffs during the year without State Council approval. The various localities and departments must not increase their staffs at will. Appropriate action must be taken to deal with the problem of overstaffing. If the number of staff workers is below the original quota, no additional--or as few additional staff workers as possible--are to be hired this year unless they are urgently needed. As regards organizations in the temporary or subsidiary category, they should either be merged or phased out. Public funds must not be used for paying staff workers exceeding the quota. From now on, except for special circumstances, an end must be put to the practice of requesting supplementary budgets and strict control must be exercised over budgetary allocations. The financial departments at various levels must assume responsibility for making monthly and quarterly checks on the way administrative expenditures are being used and make the best use of time in directing their efforts toward the reduction of administrative expenditures.

## INDUSTRY

### GOOD INDUSTRIAL RESULTS IN ANHUI, JANUARY TO APRIL

/ Hefei ANHUI RIBAO in Chinese 5 Jun 85 p 1

[Article: "Industrial and Economic Results in Anhui Very Good for First Four Months of Year; Simultaneous Growth Realized in Output Value, Taxes and Profits, and Income"]

[Text] According to an analysis by the comprehensive economic department of the Provincial Economic Committee, our province's industrial production this year is looking good. Economic results have improved and production is developing in a sustained, stable and harmonious manner.

From January to April, the value of industrial output fulfilled by the industrial enterprises within the budget throughout the province registered a growth of 18.5 percent over the corresponding period of the preceding year, while profits and taxes were up by 25.4 percent and the profits and taxes delivered to the state were up by 13.4 percent, thereby basically realizing the synchronous growth in output value, profits and taxes and financial revenue. Such prefectures and cities as Hefei, Wuhu, Bengbu, Huainan, Anqing, Huangshan, Chuxian, Liuan, Xuancheng, Chaohu and Huizhou all met the demand for synchronous growth. Among the key profit-making large enterprises, the Hefei Iron and Steel Co, the Provincial Rubber Tire Factory, the Hefei Bicycles Factory, the Anhui Paper Mill, the Feihe Automobile Manufacturing Plant, the Hefei Chemical Industrial Works, the Hefei Factory of Chemical Industrial Products for Daily Use, and the Wuhu Textile Mill realized synchronous growth in both speed and results. The Bengbu Textile Mill and the Maanshan Iron and Steel Co realized a relatively wide margin of growth in the profits and taxes delivered to the state. Of the two, the profits and taxes realized by the Maanshan Iron and Steel Co constituted 22.4 percent of the gross amount of profits and taxes of the industrial enterprises within the budget throughout the province.

In the first 4 months of this year, the number of deficit industrial enterprises within the budget throughout the province was reduced by 44 compared to the corresponding period of the preceding year. The amount of deficit was lowered by 32.9 percent compared to the corresponding period of the preceding year. By the end of April, the number of days for the turnover of quota circulating fund throughout the province was 103.4 days. The speed of the turnover of funds was up 12.5 percent. The profit and tax rate of the funds was 20.6 percent and the labor productivity by all personnel was 1,185 yuan, registering a growth of 2.8 percent and 22 percent over the corresponding period of the preceding year, respectively.

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## INDUSTRY

### REDUCING MATERIAL CONSUMPTION TO IMPROVE ECONOMIC RESULTS

Beijing JINGJI RIBAO in Chinese 8 Jun 85 p 1

[Article by Cheng Yuan [4453 6678]: "Economic Results Can Be Raised Only by Reducing Product Material Consumption; In China's Industrial Sector, Material Consumption Still Accounts for Over 60 Percent of Product Cost; Official of State Statistical Bureau Says That Shortcomings in Product Material Consumption Reflect Upon Management Standards"]

[Text] A few days ago, an official of the State Statistical Bureau provided this reporter with some data representing the relatively great achievements in energy conservation. The data still indicated, however, that insufficient attention was paid and insufficient emphasis given to the problem of conserving raw materials. Material consumption still constituted over 60 percent of product cost. In this respect, great potential remains to be tapped.

This official indicated that due to the different industrial and product structures of the various regions and various sectors, there were differences also in material and energy consumption. In a horizontal comparison, we should consider these factors. However, the gap between the advanced regions and the backward regions was too wide. In particular, the gap between some regions with basically similar conditions was also extremely wide. This reflects problems with management standards. He said: The statistical data indicate that in 1984 the raw materials and energy consumed per 10,000 yuan of output value of the independent-accounting industrial enterprises at and above city and township level throughout the country fell by 2.2 percent compared to 1983, involving a gross value of 7.6 billion yuan. Among the 28 provinces, autonomous regions and centrally-administered municipalities, 18 provinces and regions lowered their material consumption. Among them, Gansu, Guangdong, Zhejiang, Shandong, Liaoning and Sichuan reduced material consumption per 10,000 yuan of output value by more than 230 yuan, while Guangxi, Jiangxi and Fujian registered wider margins of increase. Among 15 industries, 10 registered a drop in material consumption. Among them, textile, machine-building, tailoring, chemical, and metallurgical undertakings lowered their consumption by more than 100 yuan. Conversely, the leather industry, the electrical power industry, articles for use in cultural, educational and art use, and the paper-making industry increased theirs by more than 200 yuan.

This official said: The major reasons for the drop in material consumption last year were: One, we attached importance to saving and using materials in an economically rational manner. For instance, the metallurgical sector vigorously emphasized energy saving, thereby reducing consumption per ton of steel by 3 percent. Two, we readjusted the product structure and enabled the growth in output value to surpass growth in material consumption. Three, we accelerated the turnover of materials in stock. Last year, industrial production increased by 14 percent. The number of days taken for turnover of stock in industrial enterprises at the end of the year was reduced by 3 days. This indicates that a proper material reserve can satisfy the needs of production.

Table 1: Raw Materials, Fuel and Power Consumption per 10,000 Yuan of Output Value

Unit: yuan			
Sector	1983	1984	Rate of increase or decrease (%)
National totals	5,473	5,351	- 2.2
Metallurgical industry	6,280	6,174	- 1.7
Electric power industry	3,851	4,106	+ 6.6
Coal and coke industry	5,394	5,371	- 0.4
Petroleum industry	4,035	3,971	- 1.6
Chemical industry	6,218	6,087	- 2.1
Machine-building industry	5,388	5,147	- 4.5
Construction materials industry	5,308	5,208	- 1.8
Forestry industry	4,150	4,119	- 0.7
Food industry	4,924	4,879	- 0.9
Textile industry	6,274	5,933	- 5.4
Sewing industry	4,487	4,348	- 3.0
Leather industry	5,800	6,066	+ 4.5
Paper-making industry	6,308	6,510	+ 3.2
Articles for cultural, educational and art use	4,019	4,254	+ 5.8
Other industries	6,100	6,676	+ 9.4

Table 2: Raw Materials, Fuel and Power Consumption per 10,000 Yuan of Output Value

Unit: yuan			
Region	1983	1984	Rate of increase or decrease (%)
National totals	5,473	5,351	- 2.2
Beijing	5,187	5,206	+ 3
Tianjin	5,566	5,593	+ 0.5
Hebei	4,611	4,478	- 2.9
Shanxi	5,170	5,009	- 3.1
Nei Monggol	5,280	5,381	+ 1.9
Liaoning	6,074	5,838	- 3.9
Jilin	5,740	5,608	- 2.3
Heilongjiang	4,876	4,746	- 2.7
Shanghai	5,539	5,449	- 1.6
Jiangsu	5,865	5,864	0
Zhejiang	5,883	5,488	- 6.7
Anhui	5,015	5,108	+ 1.9
Fujian	4,664	4,814	+ 3.2
Jiangxi	5,380	5,616	+ 4.8
Shandong	4,907	4,650	- 5.2
Henan	5,567	5,512	- 1.0
Hubei	5,406	5,359	- 0.9
Hunan	5,613	5,649	+ 0.6
Guangdong	6,018	5,458	- 9.3
Guangxi	5,052	5,558	+ 10
Sichuan	5,669	5,438	- 4.1
Guizhou	4,570	4,506	- 1.4
Yunnan	5,392	5,459	+ 1.2
Shaanxi	5,687	5,504	- 3.2
Gansu	5,436	4,705	- 13.4
Qinghai	6,108	6,070	- 0.6
Ningxia	5,394	5,460	+ 1.2
Xinjiang	6,307	6,244	- 0.1

Table 3: Turnover of Raw Materials and Fuel Reserves in State- and Collective-Owned Independent-Accounting Industrial Enterprises At or Above City and Town Level

Unit: day

Region	1983	1984	Increase or decrease in 1984 over 1983
National totals	98	95	- 3
Beijing	97	93	- 4
Tianjin	89	82	- 7
Hebei	107	106	- 1
Shanxi	89	84	- 5
Nei Monggol	132	129	- 3
Liaoning	99	91	- 8
Jilin	109	98	- 11
Heilongjiang	114	102	- 12
Shanghai	58	59	+ 1
Jiangsu	84	79	- 5
Zhejiang	89	89	0
Anhui	100	100	0
Fujian	117	111	- 6
Jiangxi	117	113	- 4
Shandong	103	107	+ 4
Henan	107	110	+ 3
Hubei	101	98	- 3
Hunan	105	103	- 2
Guangdong	87	83	- 4
Guangxi	108	93	- 15
Sichuan	120	116	- 4
Guizhou	150	150	0
Yunnan	103	106	+ 3
Shaanxi	142	136	- 6
Gansu	120	132	+ 12
Qinghai	200	193	- 7
Ningxia	165	137	- 28
Xinjiang	110	102	- 8

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CSO: 4006/813

INDUSTRY

STATE-OWNED ENTERPRISE LABOR PRODUCTIVITY GROWING STEADILY

Beijing JINGJI RIBAO in Chinese 9 Jul 85 p 1

[Article by Cheng Yuan [4453 6678]: "Labor Productivity in State-Owned Industrial Enterprises Rises Appreciably"]

[Text] On 5 July, an official of the State Statistical Bureau told this reporter that in the last few years, labor productivity by all personnel of China's state-owned industrial enterprises has continued to improve. From January to May this year, it has again improved compared to the corresponding period last year. Furthermore, since 1983, a trend of all-round growth in labor productivity in the major industrial sectors has been noted, ending the trend whereby labor productivity on the whole rose while that of a few industrial sectors dropped.

This official pointed out: In terms of regions, the improvement in labor productivity is still unbalanced. The five provinces in the northwest where the industrial basis is weaker have registered a wider margin of improvement. However, the gap between their absolute level and that of the coastal regions is still wide. From January to May this year, the average gross output value put forth by each staff member and worker in the municipalities of Shanghai and Tianjin was over 10,000 yuan, while that of Shanxi, Nei Monggol, Jiangxi, Sichuan, Guizhou, Shaanxi, Qinghai, Ningxia and Xinjiang was under 5,000 yuan.

According to his analysis, in recent years, the major reasons for the sustained growth in labor productivity are: (1) The reform of the urban economic system has expanded the decision-making power of the enterprises. Through implementing different forms of the economic responsibility system, we have solved to varying degrees the problem of the enterprises eating out of the same big pot of the state and the staff members and workers eating out of the same big pot of the enterprise. The enterprises have begun to take business into consideration and pay attention to economic results, which in turn have mobilized the enthusiasm in labor and production of the broad masses of staff members and workers. (2) The reform of the scientific and technological system has promoted the technological progress of the enterprises. Through importing advanced technology, we have accelerated the pace of the renewal and transformation of our fixed assets and further improved our industrial technological installations and technological level. For instance, in the shipbuilding industry, through technological

transformation, in 6 years we have narrowed the technological gap between ourselves and the world's shipbuilding industry. Despite our not having significantly increased the number of personnel, the shipbuilding output in 1984 totaled 1 million tons, which doubled that of 1978. (3) Industrial production has developed relatively rapidly. The average fixed assets owned by each staff member and worker have increased year after year. The demand for raw materials and machinery equipment has increased. As a result, many industries are operating with full load. (4) Market demand has increased, which has stimulated the rapid development of light industrial production. In addition, the electromechanical industry has developed specialized cooperation and has disseminated its spare and component parts. This has increased the production capability of the assembly plants, which has had a definite influence on the improvement of labor productivity.

This official emphasized that some enterprises have only taken production development into consideration and have slighted quality and neglected safety. Attention must be paid to this phenomenon.

9335

CSO: 4006/831

INDUSTRY

PRODUCTIVITY OF EIGHT LARGE STEEL ENTERPRISES REPORTED

Beijing JINGJI RIBAO in Chinese 13 Jul 85 p 1

[Article: "Good Steel Materials Are Necessary for Construction; Good Steel Materials Are Necessary for Good Results--An Overview of the Production Situation of China's Eight Large-Scale Iron and Steel Enterprises in the First 6 Months"]

[Text] EDITOR'S NOTE: In the first half of this year, the eight large-scale iron and steel enterprises, including Anshan Iron and Steel Company and Baotou Iron and Steel Company, have scored heartening results. The gross value of industrial output [GVIO], the profits realized, the profits and taxes delivered to the state and the labor productivity by all personnel, have all registered growth by a relatively wide margin over the corresponding period last year. However, the level of the various enterprises is still unbalanced, and the margin of growth of the various economic indices still varies. In particular, many enterprises have failed to fulfill the tasks stipulated in the contracts for the order of steel products under centralized distribution by the state. The various concerned sectors must pay attention to these issues.

The profits realized in the first half of this year by the Taiyuan Iron and Steel Company showed a net increase of 17.29 percent over the corresponding period last year. The profits and taxes delivered to the state increased by 15.95 percent compared to the same period last year. Labor productivity by all personnel was some 11,200 yuan, 16.8 percent higher than the same period last year. The company has fulfilled 95.69 percent of the quota for the first half of the year for the order of steel products under centralized distribution by the state.

Compared to the corresponding period last year, in the first 6 months, the GVIO of the Capital Iron and Steel Company was up 12.56 percent, the profits realized were up 29.66 percent and the profits and taxes delivered to the state were up 13.25 percent. Labor productivity by all personnel was 11,432 yuan, 16.71 percent higher than the same period last year. (Ji Zhe [4764 0772])

By 26 June, the Wuhan Iron and Steel Company had overfulfilled the plan for the first half of the year in an all round manner. A record high for this company since its entry into production was set for the output of 13 major products, including steel, pig iron and steel materials. In the first half of this year, profits were 43 percent higher than the same period last year. Labor productivity by all personnel was 13,093 yuan, 14.9 percent higher than the same period last year. (Wu Yanxuan [2976 1750 1357])

The profit fulfilled by the Baotou Iron and Steel Company in the first 6 months doubled that of the corresponding period last year. Labor productivity was 6,140 yuan, a record high for the same period. The company fulfilled 90 percent of the quota for the order of steel products under centralized distribution by the state. (Zhang Shiqing [1728 0013 1987])

The profits realized by the Anshan Iron and Steel Company in the first 6 months showed a net increase of 10 percent over the corresponding period last year. Labor productivity by all personnel was 9,348 yuan. The company fulfilled 96.4 percent of the contract for the order of goods according to the quota for steel products under centralized distribution by the state.

Since the beginning of this year, the 3 steel smelting plants and 14 steel rolling plants under the Anshan Iron and Steel Company have adopted effective measures to improve the index for the rate of finished products in the first half of this year by 83.11 percent. This alone has brought about an increase of 30,000 tons of steel materials and lowered costs by 2.9 percent. (Li Wei [2621 1550])

From January to June this year, the Shanghai No 5 Iron and Steel Mill fulfilled 57.4 percent of the annual plan for steel output, 8.9 percent higher than the same period last year; fulfilled 56 percent of the annual plan for the output of steel products, 2.1 percent higher than the same period last year; and fulfilled 50.5 percent of the annual plan for profits and taxes delivered to the state, 5.19 percent higher than the same period last year. Labor productivity by all personnel was 21,985 yuan, 1.29 percent higher than the same period last year. (Tao Shungen [7118 7311 2704] and Shu Xiu [5289 0208])

The profits realized by the Panzhihua Iron and Steel Company in the first half of this year were 8 percent higher than the corresponding period last year. The pig iron and steel produced by the entire company surpassed the state plan by 13.5 percent and 20 percent respectively. The GVIO, output of steel products and output of vanadium all increased by a relatively wide margin over the same period last year. A record high was scored in 14 major economic and technological targets. (Ji Zhe)

The profits realized by the Benqi Iron and Steel Company from January to June this year were 1.6-fold higher than the same period last year. Labor productivity by all personnel was 6,018 yuan. The company fulfilled 93 percent of the contract for the order of goods according to the quota for steel products under centralized distribution by the state.

The planning department of the company reported that the task for the order of steel products under centralized distribution by the state in the first half of the year involved 294,000 tons. Due to railroad transportation restrictions, only 277,000 tons were dispatched in the first half of the year. (Pang Tingfu [1690 1694 4395])

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CSO: 4006/831

INDUSTRY

BRIEFS

ZHEJIANG INDUSTRIAL OUTPUT--According to the statistics of departments concerned, the total output of state-owned local industrial enterprises in Zhejiang was 7.24 billion yuan, an increase of 18.2 percent over the same period last year. The total income from sales of products was 6,826 million yuan, an increase of 21.9 percent over the same period of 1984. [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 14 Jul 85 OW]

CSO: 4006/888

CONSTRUCTION

BRIEFS

BEIJING HOTEL CONSTRUCTION--In the first half of 1985, 846 new hotels were built in Beijing Municipality, bringing the total to over 3,000. However, with a daily influx of over 800,000 tourists to the capital, Beijing's hotel shortage continues. [Beijing XINHUA Domestic Service in Chinese 0039 GMT 30 Jul 85 OW]

CSO: 4006/888

FOREIGN TRADE AND INVESTMENT

MA HONG ON OPEN DOOR POLICY, OCTOBER 1984 RESOLUTION

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 5, 10 May 85 pp 1-3

[Speech by Ma Hong [7456 3163], president of the Chinese Academy of Social Sciences, at an international seminar titled "The Role of Foreign Capital in Economic Development" in Hangzhou; date not specified: "China Welcomes Foreign Economic Cooperation on the Basis of Equality and Mutual Benefit"]

[Text] Comrades and friends:

The seminar, "The Role of Foreign Capital in Economic Development," formally opens today. On behalf of all Chinese representatives, I cordially welcome to this seminar our colleagues and their wives from the United States and other nations. It is highly significant that Chinese and foreign scholars can happily gather under the same roof to discuss the role of foreign capital in economic development. I believe both sides will learn many useful things from this seminar.

The role of foreign capital and technology in economic development has become an increasingly popular discussion topic. In nations around the world, people from academe and industry have not only conducted a useful discourse at the theoretical level, but have also accumulated much practical experience. There is such a widespread interest in the foreign capital question because it represents the mainstream of postwar global economic developments.

As we all know, all countries, be they socialist, developing, or developed capitalist, have come a long way economically since World War II. At the same time, the scientific and technical revolution has been a powerful force behind the expansion of mass production, significantly boosting the internationalization of production. In the process, international economic, trade, technical and capital exchanges intensified and international economic ties and cooperation were strengthened. From 1950 through 1973, the world's total industrial output increased at an average annual rate of 5.4 percent, faster than during any other period in this century. Meanwhile, world trade grew at an average annual rate of 7.2 percent, much faster than industrial output.

These facts demonstrate that in the wake of continuous increases in productive forces and uninterrupted scientific and technical advances, international

economic connections are becoming more and more intricate by the day. People now see that an overwhelming majority of nations and regions have put international economic relations to good use in developing their own economies in the postwar years. It has become an international economic trend for a country to open itself to the world and develop international economic contacts in order to promote and strengthen its own economic construction. If we carefully analyze the course of development of international economic relations after the war, we can see two obvious tendencies. First, the more economically advanced a nation, the more complex its web of international economic relations. The extent of the involvement of such developed nations as those in North America, Western Europe and Japan in world trade, technology transfer and foreign investments testifies to this point. Not only do these nations maintain close relations with one another, but their economic ties with developing nations are also very close. Second, countries with the fastest economic growth rates are also the most aggressive in absorbing foreign capital, introducing foreign technology and developing foreign trade. Witness the experiences of some nations and regions in Asia and Latin America. These two trends show clearly that the modern world is an open world. No country, not even one with a vast territory and abundant resources, can afford to isolate itself from the mainstream of international intercourse and engage in economic construction behind closed doors. All nations need to learn extensively from others' strong points to compensate for their own weaknesses. Assuming that a nation makes full use of its domestic resources, funds, talent and technology, it must in addition resort to foreign capital and advanced foreign technology to speed up its economic development.

Even as we highlight the progress of the internationalization of production and the strengthening of international economic ties, however, we should not forget that many impediments to international economic development still exist and that the old world economic order still stands in the way of stronger global economic ties. From the mid-1970's to early 1980's, for instance, the world economy slackened its pace considerably. Plagued by the worst economic crisis since World War II, developed capitalist nations have been suffering from a severe case of "stagflation." The vast number of developing nations are in worse shape. Desperate to turn their economies around, developed nations intensified protectionism, slashed the prices they paid for primary raw materials, and raised interest rates on loans. Consequently, many developing nations found themselves in a grim no-growth situation characterized by deteriorating terms of trade, shrinking export earnings, a reduced capacity to import, mounting debts, difficulties in paying back loans and, in some cases, successive annual declines in per capita income. Although most national economies have now rebounded, some factors which militate against world economic growth, such as high interest rates, protectionism and debts, have yet to be removed, and the North-South dialogue is still deadlocked. The whole world should realize that short of developing North-South cooperation on the basis of equality and mutual benefit and gradually changing the old world economic order, not only will developing nations be confronted with even more economic hardships, but the West will also have to continue to grapple with market and economic growth problems. For historical reasons, developing nations, which account for three-fourths of the world's population, have not come close to fulfilling their market potential commensurate with the size of their population and resources. Capital and

technology are needed to turn them into real markets. It is for this very reason that we strongly appeal to developed nations to take concrete measures to improve North-South relations and develop North-South cooperation on the basis of equality and mutual benefit. Once developing nations take off economically and their people's standard of living improves, they will be in a position to contribute even more to the world economy. We have always believed that assistance and contribution should be two-way streets.

During the early years of the People's Republic of China, our people's desire to strengthen external economic exchanges was not fully reciprocated for various reasons. In the 1950's and 1960's, a number of developed nations adopted policies to blockade, embargo, exclude and discriminate against us. At the same time, constrained as we were by the prevailing international environment, we also committed some theoretical and policy errors and, to a certain extent, closed ourselves to international intercourse. In the late 1970's, we reviewed historical experiences and realized that isolation is a hallmark of the feudal era, which could only result in stagnation and backwardness. Experience shows that one cannot develop one's economy behind closed doors. China cannot develop without the world. Similarly, the development of the world needs China's cooperation. On the basis of this understanding as well as changes in the international environment, we formulated the basic national policy of opening up the country to the world, to all countries which are willing to develop economic relations with us on the basis of equality and mutual benefit. Like the vast number of Third World nations, China is a developing country. With them we naturally have a bright future of mutual cooperation. Similarly, we are willing to develop equal and mutually beneficial relations with all economically developed nations, irrespective of their social and economic systems. These equal and mutually beneficial relations will contribute not only to our socialist modernization but also to the progress of the entire world economy.

Our open door policy is no short-term, expedient measure, but a long-term basic national policy. We must quadruple our industrial and agricultural output value and achieve a "decent" standard of living by the end of the century. On that basis, we will then put in another 3 to 5 decades of efforts to close the gap with and overtake developed nations. To realize this ambitious objective, we must, first and foremost, further mobilize our vast population's initiative and creativity and adhere to the principle of self-reliance. However, in no way does self-reliance imply going in for construction behind closed doors. We should grasp this opportune moment, vigorously develop external economic and technical cooperation and exchanges, actively attract foreign capital, import technology, go after information and talent, and open up foreign trade to speed up our nation's economic development. Moreover, our long-term open door policy is in line with the general trend of international economic development. We will do our utmost to grab this opportunity given us by the new technological revolution and make use of the latest scientific and technical achievements in the world to help overhaul our economic structure. This is a long-term goal. In the future, we will cooperate even more extensively with countries around the world on the basis of equality and mutual benefit. So long as such a basis exists, our door of cooperation will always remain open to the benefit of both China and the world.

More and more areas in the country have been opened to the world in recent years. Since the establishment of the four special economic zones in 1980, we further opened 14 coastal cities and Hainan Island in April 1984, followed by the designation of a number of coastal economic development areas in the Chang Jiang and Zhu Jiang deltas and the triangle in southern Fujian early this year. Through these special economic zones, coastal open cities and economic development zones, we have more closely integrated coastal with inland development, gradually and effectively sorted out the relations between the eastern and western parts of our country, and further boosted the nation's economic vitalization and people's prosperity.

In October 1984, the 3d Plenum of the 12th CPC Central Committee approved the "Resolution of the CPC Central Committee Concerning Economic Reform," a document of epochal significance in China's history and a blueprint for our economic reform. As I see it, there is every reason to believe that economic reforms in the country will make our foreign economic relations even more open.

First, the open door policy is itself an important part of economic reform. Article 8 of the "Resolution," which is devoted to discussing this policy, points out, "We must fully use foreign as well as domestic resources, open up foreign as well as domestic markets, and master the two sets of techniques of developing foreign economic relations and building up the domestic economy respectively." Economic reforms and the open door policy nurture each other. For example, our current price reforms, foreign trade reforms and foreign trade management reforms, etc., all make for sounder legislation better adapted to the needs of the open door policy. There is no doubt that as our economic reforms become more thoroughgoing, China's external economic and technical exchanges will be able to make substantial headway.

Second, an important task of reform is to significantly develop commodity production and exchange, which will be conducive to expanding external economic and technical exchanges. Influenced by the "natural economic theory," China for many years considered a planned economy and a commodity economy mutually exclusive and failed to use the law of value to promote the commodity economy. The result is that for an extended period our enterprises were trapped in a situation of low efficiency and high consumption. The "Resolution" unequivocally calls for a major effort from now on to develop commodity production, which will certainly impel China's enterprises to do their best to improve economic results, pay attention to what the market wants, take economic information seriously, respect talent, and interest themselves in the world market. In the process, the development of China's economy will be accelerated, the investment environment will be improved, and even more favorable conditions will be created for using foreign capital. China will become more attractive to foreign businessmen.

Third, by vastly increasing China's economic prowess, economic reform will be a positive force for world peace and world economic development. It may be said that the foreign capital and technology which come our way are a form of assistance to China by foreign industrialists. On the other hand, the world also benefits from such assistance; as the Chinese economy develops, it will be able to export and import more products and have the material basis to

enter into more extensive and diversified economic cooperation and exchanges with other nations, thus expanding and developing the world market. Moreover, when a huge market like China sets a precedent for equal and mutually beneficial cooperation, it can only boost the effort to build a more equitable world economic order.

To attract foreign capital and advanced technology, the Chinese Government is taking a variety of measures to improve the investment climate, strive for infrastructural construction, improve and perfect all kinds of economic legislation and speed up the training of qualified personnel. We welcome companies and manufacturers from all nations to make the sensible move of coming to China to invest and engage in all types of cooperation on the basis of equality and mutual benefit.

Comrades and friends, I believe this seminar is held at a most timely moment. Although our open door policy has obtained some definite achievements, it has been in existence for only a short time and we are still inexperienced in using foreign capital and introducing advanced technology. Many problems remain to be examined and worked out. We hope that foreign and Chinese scholars and businessmen here will draw upon their profound learning, rich experience and the lessons other nations have learned in using foreign capital and enlighten us by frankly pointing out our shortcomings and problems in the open door policy in order to help us overcome them correctly.

Finally, I wish all foreign scholars a pleasant stay in China. May I congratulate you in advance on a very successful meeting.

Thank you very much.

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CSO: 4006/812

## FOREIGN TRADE AND INVESTMENT

### WAYS TO ATTRACT FURTHER FOREIGN INVESTMENT

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 6, 27 Jun 85 pp 50-52

[Article by Zhu Qingwei [2612 1987 0251]: "Investment Climate Must Be Improved To Further Attract Foreign Investments"]

[Excerpt]

#### I. Infrastructural Facilities Must Be Improved Continuously

Such infrastructural conditions as transportation, finance, communications and housing are important when it comes to further attracting foreign investments. In the whole area of capital construction, infrastructural facilities present the biggest headache because projects in air, sea and land transportation, telegraph and telephone services, telecommunications, water, electricity, energy, road and bridge construction, wire erection, pipe-laying, etc., require huge inputs and have little to show in terms of benefits. There are many cases of losses due to lagging infrastructural development. The costs of oil prospecting off the coast of south China amount to \$3.3 billion each year, of which a considerable portion is used to defray living expenses. Because of Zhanjiang's backward infrastructure, the managers and staff of foreign companies all choose to live in Hong Kong, with the result that transportation fees go to line somebody else's pockets. Shenzhen's approach is to finance infrastructural construction with bank loans guaranteed by the local finance agency, and foreign capital. When infrastructural facilities are basically in place, the influx of foreign capital will intensify and land values will inevitably rise. In 1984, bank loans accounted for one-third of Shenzhen's spending on infrastructural construction, or 300 million yuan. The Singapore Government has been sinking massive sums of money into expanding its port and developing public utilities like water, electricity, gas and postal and telecommunications services. A person putting up a factory in Singapore can expect to see his plant go into production in no time.

#### II. We Must Offer Investors Preferential Treatment To Minimize Their Risks and Maximize Their Opportunities

The foreign investor, in business to make money, may lose interest in the absence of preferential treatment. Let us again cite Singapore as an example. As a free port, it has an extremely small number of financial tariffs and is

in the process of doing away with protective tariffs. It has no foreign exchange control regulations and takes no administrative measures to control domestic prices, both common among other developing nations. It imposes no restrictions on foreign investors: they can come and go freely, as can their assets and property. Singapore relies entirely on the economy itself to regulate the direction of investments. We, too, should further liberalize investment policies; offer tax breaks and exemptions; use loans, subsidies and incentives to regulate the direction of investments; and include foreign investments in our macroeconomic plan and management. To adapt ourselves to the world's new industrial revolution, we must make an effort to improve expertise, skills and product competitiveness and offer even more generous preferences to investors in sophisticated industries which are small-scale, high-value, high-performance, take up little space, cause limited pollution and involve intensive changes in energy and raw materials.

### III. The Need For Efficient Workers and Agencies

A majority of foreign merchants who have economic and trade dealings with us shake their heads in dissatisfaction at the cumbersome formalities and low efficiency of China's official agencies. We must seriously streamline our agencies, which constitute a window on the outside world by virtue of their contacts with foreigners, and overcome our bureaucratic ways. First, we must trim the number of staffers and improve their quality. Agencies involved in foreign trade and economic relations should follow Shenzhen and institute an examination and evaluation system because this is basic to improving the efficiency of the entire agency. According to the ASIAN WALL STREET JOURNAL, China put forward to a United States delegation in late 1984 a list of several thousands of investment proposals, but the Chinese negotiators did not even have the basic business knowledge. This weakness undermines the foreign businessman's confidence and is therefore another area where something must be done if the investment climate is to be improved.

### IV. The Need For Relatively Skilled Technical Personnel and Workers

The development of human resources is clearly more important than that of natural resources, as Japan and Singapore's rapid economic developments fully testify. Whether we are talking about an enterprise wholly owned by foreign capital or a joint venture, if its technical staff and workers are unskilled, its products will not be able to compete and investors will not come here to invest, preferring instead to pay higher wages elsewhere to ensure a good product. This problem actually boils down to one of respecting knowledge and experts. In an article analyzing China's economic reform in its October 1984 issue, the ECONOMIST, a British publication, said, "The biggest waste in China at present is the waste of expertise. The only way to solve this serious problem is to set up a genuinely free labor market." The demand for expert mobility is becoming increasingly vocal in China, but real progress to-date has been meager. To improve our investment climate, we must immediately resolve the problem of the "unit ownership" of experts.

There are two confused notions about opening up the country and attracting foreign capital which do little to improve the investment climate and must be clarified. First, some people tend to see only the large profits accruing to

foreign investors. Too bad that all that money has to "go abroad," they reflect, and their enthusiasm for attracting foreign capital is dampened as a result. Our approach to capital and technology importation must be infused with the idea of "letting others benefit before we do." Never should we be so preoccupied with our own interests that we neglect others', or be so concerned with short-term gains that we overlook long-term ones. All five member nations of the Association of Southeast Asian Nations have an open door policy, but Singapore and Malaysia have registered the fastest growth rates because both have worked to attract capital. In contrast, the Philippines, Thailand and Indonesia have opted for the loans approach and ignored introducing advanced technology and scientific management techniques, and the result is slower economic growth. In both Singapore and Malaysia, gross national product has been expanding at an average annual rate of more than 10 percent over the past 20 years.

Second, there is the fear, entirely unwarranted, that an excess of foreign capital will end up controlling and dominating China's economy. For instance, foreign investments in Singapore's key industry--machine-building--amounted to 85.9 percent of total investments in that industry in 1980, and only 14.1 percent of industry capital was domestic. However, because domestic capital accounts for 66 percent of the nation's total fixed assets and the government controls all infrastructural facilities and public utilities, production, supply, marketing and management in the machine-building industry have not fallen into foreign hands. With its vast size and complexity, China's economy can accommodate a huge amount of foreign capital. In 1984, our total industrial and agricultural output value broke through the 1,000-billion-yuan barrier, and what percentage of it does foreign capital amount to?

In sum, if only we live up to the demands of the "Resolution," namely that we "absorb and draw lessons from all advanced business management methods in use by nations around the world, including capitalist nations, which reflect the laws of modern social production," continue to liberalize our ideas, further throw open our door, and go all out to improve the investment environment, a rush to invest in China is just around the corner.

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CSO: 4006/811

## FOREIGN TRADE AND INVESTMENT

### POSSIBLE FOREIGN ROLE IN OFFSHORE FINANCIAL CENTERS EXPLORED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 2,  
Mar-Apr 85 pp 6-8, 19

[Article by Cai Changxue [5591 7022 1331], Department of World Economics,  
Shanghai Finance and Economics Institute: "Preliminary Look at Plan for  
China's Offshore Financial Center"]

[Excerpts] Brand new and important tasks of a policy and technical nature  
presently confronting us are the introduction of foreign banks, handling  
offshore business and consequently setting up China's own offshore financial  
center. Why should an offshore financial center be set up in China? Is it  
possible to set one up? What advantages would it bring? What problems?  
I will discuss my own opinions about the matter in this article.

#### II

The experiences of Singapore and Hong Kong have proved that the following  
factors are necessary to create and develop an offshore financial center.

1. Political stability. Taking Singapore as an example, since the war  
Singapore has had political stability, racial harmony and the contradiction  
between labor and capital has been alleviated. Singapore can really be  
called the most secure in the world in terms of the category of international  
risk as classified by international trading companies.
2. Advantages of geographic location. Singapore and Hong Kong are both  
communications centers linking east and west. The former is between the  
Pacific and Indian Oceans in Southeast Asia where communications and trade  
are quite important. The latter is a famous free port and international  
trade center. Both are in well situated time zones.
3. A complete financial system that allows the unrestricted flow of  
currency, that has entirely or basically no foreign exchange controls and  
a good domestic capital market.
4. Complete basic facilities. Singapore and Hong Kong both have relatively  
developed communications and telecommunications systems, commercial services,  
housing and other facilities.

Does China possess these factors? It should be admitted that China has some of the aforementioned factors and can hope to achieve the rest through effort. With reference to political stability, China has been stable in recent years. Economic development has been relatively rapid. In particular, the thorough implementation of the open door policy guarantees this basic factor and gives foreign investors a feeling of confidence and security. The Chinese-British full solution to the Hong Kong question and the administration of one country with two systems is another guarantee of China's long-term political stability. With reference to an advantageous geographic position and complete basic facilities, some areas in China, particularly the SEZ's and coastal open cities, have or approach the standards of the aforementioned requirements. Nevertheless, in general the factors for establishing an offshore financial center really only exist in the SEZ's, such as Shenzhen and Xiamen. The main reason is the many flexible policies in force within the special zones that are different from those in inland areas. The SEZ's really are ideal spots to establish an offshore financial center because the urban economy takes precedence there, basic facilities are modern and they offer geographical advantages. In particular it should be pointed out that Xiamen is more advantageous than Shenzhen in this respect because Xiamen is not only an easily managed island city with clear boundaries from the mainland, but even more importantly, its geographical position and time zone make it staggered between Singapore and Hong Kong, thereby fulfilling a requirement of the so-called "location economics" theory. In addition, the issuance of special zone currency will offer many conveniences to solve problems concerning movement of funds and the convertability of currency within the zone. Construction of the SEZ's is underway and the investment is being perfected every day. Foreign banks have demonstrated great interest in opening branches in the zones and the latter have done a series of things to attract them. These are all essential factors for setting up China's offshore financial center in an SEZ.

It is necessary to point out that China's current banking administration system (including that of the SEZ's) still cannot fully meet the requirements for setting up an offshore financial center. The system obstructs the flexible transfer of funds as well as their collection and dispersal. In addition, solutions have yet to be found for the imperfections and inflexibility of financial legislation and the administrative system.

From the above it is evident that China possesses factors for the possibility of setting up an offshore financial center; but possibility is not the same as reality. To turn this possibility into a reality we must depend upon our sovereign strength as well as objective factors. That is to say, we can achieve some of the factors but we still lack others. Nevertheless, we can remedy the deficiencies by relying on our own efforts.

### III

Permitting foreign banks to open branches and establishing an offshore financial center in China will have a positive effect on and bring many benefits to the flourishing economic development that is underway.

First, foreign banks with branches here can bring us a sizable sum of foreign exchange. Based on estimates, income from foreign fund handling charges and licensing fees alone is relatively sizable. This is equivalent to importing a great sum of foreign funds. It alleviates the pressure on various tight money market banks and increases the local financial incomes of China's SEZ's.

Second, because the international economic activities of transnational companies are often inseparable from the various services, protection and support they provide, the establishment of foreign bank branches and transnational banks in particular will motivate transnational companies to invest actively. At the same time those activities will broaden the scope, diversify the forms and allow more leeway in choosing to utilize foreign capital in China's SEZ's.

Third, once the offshore financial center is established, foreign banks will provide us with advanced techniques and modern financial and consulting services, which will accelerate the process of training China's specialized international financial talent. In particular we must not overlook the fact that an offshore financial center depends on a highly perfected information system. Transnational banks will provide us with accurate and timely economic information, which is of particular significance if China is to enter the ranks of the information society and to meet new challenges posed by the technological revolution as soon as possible.

Fourth, the introduction of foreign banks may spur competition among Chinese banks and between Chinese and foreign banks. This process is good for teaching Chinese banks advanced management experience, improving their managerial levels and the quality of services and accelerating reforms, restructuring and improvements in China's financial system and banking structure.

Finally, once an offshore financial center is established, it surely will "compel" local large-scale construction to provide the necessary basic facilities for banks and financial organizations, such as housing and real estate, water, electricity, gas, commercial services, etc. This undoubtedly will motivate the development of other local trades, make the local economy prosper and accelerate modern economic construction.

In sum, introducing foreign banks to China and establishing an offshore financial center will have a positive influence upon China's modern economic construction and it will promote the process of internationalizing China's economy.

#### IV

It is evident from the above analysis that allowing foreign banks to open branches and establishing an offshore financial center in China offers many benefits to the Chinese economy. Yet there is no need for reticence. To set up an offshore center in China has its price, namely, a portion of banking profits will go to foreign banks, the stability of financial markets

will be easily influenced by international unrest, and domestic banks will be threatened to a certain degree by the competition from foreign banks. In addition, some people are worried that once foreign banks open branches they will monopolize China's financial market and thereby control our economy. They also worry that Chinese banks cannot compete with foreign ones and will be forced to collapse.

Indeed, the above problems objectively exist and cannot be evaded. Nevertheless the crux of the matter is for us to strive to utilize the positive aspects of foreign banks and to control the negative aspects. On the one hand we should encourage and give preferential treatment to foreign banks to open branches and an offshore financial center by various means, including legislation, taxes, foreign exchange administration, administrative management and other incentives. On the other hand we must also adopt measures to introduce foreign banks but restrict their activities to a certain extent and make them develop in a selective manner that works in stages and is healthy to China's economy. It is unnecessary to worry about restricting China's economy and banking competition because of China's current time period, environment and conditions. As a sovereign nation, China is fully capable of employing administrative intervention, management, and control over foreign banks. As for China's domestic banks, these can modernize only by improving their strengths and avoiding their shortcomings, emphasizing the good and de-emphasizing the bad and striving to overtake foreign banks.

It should be mentioned in passing that I am not referring to international offshore financial centers such as in London or Hong Kong, which engage in full services, are a mixture of domestic and foreign systems, and have various functions. China in the present stage cannot establish this kind of financial center, nor is it necessary to do so. My own understanding is that what we mean by an offshore financial center should be similar to Singapore's so-called "separatist center" where domestic and foreign affairs are kept separate; i.e., only nonresidents are permitted to engage in offshore financial affairs, and business relationships between nonresidents and residents are restricted. Concerning this point, it will be valuable for us to learn from the Singaporean experience in creating and developing an international financial center.

Of course many problems and questions confront us in attempting to set up an offshore financial center in a developing country, particularly in a developing socialist country such as China. This is just like the case of the SEZ's; they cannot be set up in one day, whether in a developing capitalist or a developing socialist country. In the case of the former, generally speaking, the problem is one of nonexistent institutions or systems while in the case of the latter, new tasks are encountered at every step of the way. Even so, China's socialist SEZ's were set up in the end and their attainments have attracted worldwide attention. An SEZ currency will be issued and the notion of implementing one country with two systems in China will become a reality. I believe that in the near future, China's own offshore financial center will also suddenly appear on the horizon.

## FOREIGN TRADE AND INVESTMENT

### POSSIBLE CLASSIFICATIONS TO USE FOR EXPORT LICENSES

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 2, Mar-Apr 85 pp 9-10, 31

[Article by Zhang Deyi [1728 1795 1942]: "Some Issues Pertaining to the Operation of an Export Licensing System"]

[Text] At the instruction of the State Council, the former State Export and Import Commission and the Ministry of Foreign Economic Relations and Trade jointly issued the "Provisional Regulations Governing the Export Licensing System" in May 1980. In the light of specific conditions, the state has successively applied the export licensing system to materials in short supply domestically and overlapping products over the past 5 years. As of today, a total of 129 products have been brought under the export licensing system. The present system has had a positive effect in adapting foreign trade to the development of the national economy and in solving the problems which arose in the early period of reforming the foreign trade system. But it is clearly beyond its capability to meet the demands of our continuously expanding foreign trade today. We must look at ways of reforming it. I submit below some ideas for public consultation.

I. On the basis of the present export mix, we should formulate an overall classified export licensing system. By and large, there should be a threefold classification:

A. Products in this category are exportable automatically. The export of these products is allowed or encouraged by the state. Export licenses for products thus exempted from state control will be available to all specialized companies, industrial and trading companies, and technical trading companies (hereafter referred to as foreign trading companies) primarily for the convenience of customs and to facilitate export statistics compilation and the auditing of foreign exchange derived from exports. Under this system, a foreign trading company obtains an export license from an export licensing authority, completes it and, after double-checking to make sure everything is in order, returns it to the authority for inspection and approval. (The main concern of the authority is to verify that the product in question falls within its jurisdiction.) After being stamped by the authority, the license will go into effect. This kind of export license may be green in color. Customs across the nation will clear a shipment of goods upon presentation of

the green license. (The green license is void when used for other kinds of products.)

B. Restricted goods, consisting mainly of strategic materials, products in short supply, antiques, gold, calligraphy and paintings by well-known masters, weapons, patented technology, and commercial secrets. The chief justification for this category is to protect domestic resources and prevent dumping and the unchecked outflow of materials in short supply. To export a product in this category, trading companies or individuals, (including special economic zones,) should apply to the export licensing authority for permission. This requirement applies to everybody, irrespective of the form of trade involved. An exporter of products that are in short supply and are included in the national plan should follow the plan and apply for permission. A company wishing to export strategic materials, antiques, gold, paintings, calligraphy or weapons must first secure the permission of the unit in charge of the particular product before applying for an export license. The scope of strategic materials and products in short supply should not be defined too broadly, otherwise export will inevitably be adversely affected. This kind of export license may be red in color. Customs across the nation will clear a shipment of goods upon the presentation of this red license, completed and stamped.

C. Exportable upon authorization. In principle, the export of products in this category is permissible, but only after examination and approval by the export licensing authority. This category can be divided into two sub-categories, "general trade" and "flexible trade":

1. General trade: A trading company which wants to export a product outside the two categories above must apply for permission under this sub-category. It must state on the export license the kind of product involved and the scope of its business. The reason for this requirement is to prevent foreign trading companies from exceeding the limits of their business. In issuing export licenses, export licensing authorities should strictly follow the classification of goods, such as: cast iron building materials (metals and mineral products); Chinese medicine (medicine and health care products); canned food (grains, edible oils and foodstuffs), etc. In this way, we can prevent a company from dealing in a product outside his line of business and make sure that a company in medicine and health care products, for instance, will not be able to lay its hands on an export license for metals and mineral products. Even if it does, the export licensing authority will not stamp it, nor will customs clear its goods for export.

2. Flexible trading, to be applied primarily to the less conventional kinds of trading, examples being project contracting, compensatory trade, processing with foreign imported materials, assembling, free samples, experimental samples, joint ventures, gifts in excess of limits set by customs and products sent overseas by service companies not authorized to have direct foreign transactions, and investment trust companies. To export a product resulting from any one of these forms of trade, other than those that fall into either one of the two categories above, a company must apply to the export licensing authority for a quota even before signing the contract. Only when the authority gives the nod can it proceed to apply for an export license.

Export licenses for these two subcategories of export may be yellow. Customs in the nation will clear a shipment of goods upon the presentation of this yellow license.

Export licenses are absolutely not transferable to a third party without the permission of the export licensing authority, which also reserves the right to classify a product and interpret its own powers.

II. Export license preview system. A company must first obtain approval from the export licensing authority before signing a contract. Only then should it proceed to apply for an export license. No unit or individual is to use its or his inability to obtain government approval as an excuse for not honoring a contract. The mere act of signing a contract implies government approval.

III. One ticket, one license system. To facilitate checking-and-accepting by customs and auditing by banks of foreign exchange derived from exports, we must adopt a "one ticket, one license" system applicable to all exports. Using a license more than once must be strictly prohibited.

IV. Make full use of modern tools, such as the computer, to do a good job in data storage and statistical compilations. To get a better idea of changes in our export structure, the export licensing authority each year produces a flow of statistical charts on licenses. Appropriate export promotion strategies should also be mapped out.

V. Customs across the nation must perform their inspection and checking-and-accepting work properly in coordination with export licensing authorities. Moreover, they must collect accurate statistics on the outward shipments of goods to help banks verify the volume of merchandise actually shipped abroad against the amount of foreign exchange collected.

VI. The Bank of China plays an essential role in the management of foreign trade. When a foreign trading company goes to the bank to settle foreign exchange accounts, it must check the number of licenses and amounts on paper very carefully against the actual volume and value of goods shipped to make sure that for every \$1 worth of goods exported, we earn \$1 in foreign exchange. Based on the various companies' accounts, we can then build up a credit record on overseas businessmen for use by the licensing authorities, which are empowered to refuse to grant a license to merchants with a poor credit record or who have broken a contract repeatedly.

VII. Price examination system. Export licensing authorities should change the existing system of examining the prices of all export commodities. At present, they depend on specialized companies totally to discharge this task. What it should do instead is to set up a telecommunications network with China's overseas representatives and agencies. When a special problem comes up, the authorities can deal with it directly through the network. China's representatives and agencies abroad should also provide us regularly with information concerning the international market or pertaining to the country in which they are located. In addition, we can subscribe to newspapers and

magazines on international business. The export licensing authority has the right to refuse to grant a license to the merchant who slashes prices excessively to undercut his competitors.

VIII. Export license and circulation procedures. The export license comes in seven copies. Their uses and circulation procedures are as follows:

Copy 1 (original): This is what customs bases itself on when it examines and clears a shipment of goods. After the goods have left port, customs will put its endorsement on the back and forward it to the bank for the latter's use in auditing foreign exchange accounts.

Copy 2: To be retained by the licensing authority that issues the license.

Copy 3: To be sent by the licensing authority to the computer for statistical purposes.

Copy 4: To be sent by the licensing authority to the bank. The bank will use it to verify against the original to prevent a merchant from altering the license on his own and failing to report foreign exchange earnings.

Copy 5: To be sent by the licensing authority to customs for the latter to check against the original. When the goods have left port, it should be signed and retained by customs.

Copy 6: The applicant should send this copy along with the original to the carrier or customs. After the goods have left port, copy 6 is to be signed by customs and returned to the licensing authority which will use it to calculate the actual amount of goods exported.

Copy 7: To be retained by the exporter.

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FOREIGN TRADE AND INVESTMENT

TECHNOLOGY IMPORT CRITERIA, PROBLEMS DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 6, 27 Jun 85 pp 14-15, 4

[Article by Song Juzhi [1345 3515 0037]: "We Must Consider the Nation's Circumstances in Selecting Technology for Import"]

[Text] The import of foreign technology which meets China's needs is an important means of accelerating our socialist "four modernizations" and implementing the principle of invigorating the domestic economy and opening the country to the world. What kind of technology should we import and how? How do we assimilate, absorb, improve and upgrade the technology we import? These questions involve principles, policies and detailed measures, and should be examined. This article offers some preliminary views on how to select the right technology for import in the hope that we can work out some feasible guidelines.

I. We Must Fully Realize the Importance of Selecting the Right Technology To Import

Anything we do involves choice. The import of technology is no exception. Some people divide the import of a piece of technology into two phases, the cutoff point being the signing of a contract. Others differentiate between four steps: the selection of technology, selection of method of import, negotiating for and signing a contract, and assimilation and improvement. No matter how we define the issue, the first thing we are confronted with is the selection of technology.

Technology import is playing an increasingly important role in economic development today. In importing technology, what exactly should we select from among the range of options available to us which is most rational, effective and practical? This question has become a key link in technology import.

Examples already exist of sensible choices in technology import. The Qingdao Hermatization Plant took realities as its point of departure and, instead of blindly going after a famous name-brand, chose the Huang Jing [5435 0064] Company of Japan, which, despite its modest size, produces fairly decent products. The plant acquired from the Japanese rubber hermatization technology which resulted in a marked improvement in both product quality and

service life. When it went shopping for a combine harvester, the former Agricultural Machinery Department was not exclusively concerned with the level of automation and settled on a model which was less automated than others but cost less and took less time to assimilate and absorb. The Shanghai Xinghuo Die Factory was selective, importing only plastic die design technology of the internal-combustion kind, instead of going on a spending spree and buying indiscriminately. The import filled the factory's technical void at little cost.

The above facts show that if we make the right choice in technology import, it will save us money, improvements will be apparent within a short period of time and we will have technical and economic results to show for the money we have spent. On the other hand, if we pick the wrong piece of technology, not only will we waste money and have little to show for our expenditure, but we may also end up with a "white elephant." This is why we call technology selection a key to the success of technology import. It has a close bearing on the nation's overall economic development and directly affects the new product development and product improvement of an enterprise or even an entire industry.

## II. We Must Not Underestimate the Difficulty of Technology Selection

People often use the phrase "handout" to describe and summarize technology import, as if the moment you sign a technical import contract, you already have the technology in hand. This view oversimplifies technology import and underestimates its complexity.

First, technology import is a piece of complex systems engineering which covers a wide area. Technology selection is closely related to the economy, law, politics and even people's livelihood. First of all, there are questions to be considered on the macro level, including: (1) Does the technology concerned conform with the general principles and goals of the nation's economic development? (2) Does it meet the needs of national economic development and technical progress? (3) Will it contribute to improving the standard of living? (4) Will it adversely affect labor and employment? (5) Will it lead to an imbalance in our foreign exchange accounts? (6) Will it cause serious environmental pollution?

Second, the importing unit must also examine several issues on the micro level, such as: (1) Can it afford it? Does it have the technical and managerial skills to operate it? How about the availability of raw materials? (2) Does it have ability to assimilate and digest it? (3) Will it adapt well to the natural and social environments? (4) Will it be too burdensome for such infrastructural facilities as water, electricity, communications and transportation? (5) Is it in line with principles laid down by the state?

Third, while everybody agrees that technology should be integrated with the economy, there is no consensus on how this can be achieved. In selecting a piece of technology, technical comrades often emphasize such technical criteria as performance, while comrades in financial and economic affairs are often preoccupied with the need to economize on funds and foreign exchange. Managerial comrades, for their part, are mindful of political consequences.

In many cases, it is hard to predict the technical and economic pros and cons of a piece of technology. To be in technology, and yet above technology, to prioritize particular and general interests, short- and long-term gains--these are tall orders.

Fourth, we must also make an effort to assimilate and transform the technology once it is imported. If we do not use what we have selected and imported because it does not really meet our needs, then it is sheer waste. If our import is too sophisticated for us to assimilate and transform for the time being, we will end up wasting time and the whole exercise will be meaningless. How to assimilate the imported technology expeditiously and convert it into our own technology depends on more than making the right choice concerning the design of the main engine. Often a lack of spare parts, components and raw materials is enough to hold up assimilation and conversion. It is thus clear that assimilation and conversion are no Sunday picnics, but arduous tasks. And they have a lot to do with whether we have bought the right piece of hardware in the first place.

### III. Some Existing Problems

Broadly speaking, of the several hundreds of contracts which have been signed, most have made the proper technical choices. But they also contain some weakness which merit our attention.

1. Some units, impatient to clinch a deal, tend to be sloppy when it comes to technology selection. They fail to do any serious feasibility studies and take a "wait and see" attitude. "We'll sort things out as we go along." The result is often inappropriate technical choices leading to considerable economic losses.

2. There is insufficient attention to China's particular conditions. Setting their sights on the world's latest technology, some units mechanically apply methods used in developed nations and blindly go after whatever is state-of-the-art. They often hold round after round of negotiations, but rarely are they conclusive.

3. In deciding what to import, units cast their net too wide, buying all and sundry, instead of focusing on our weak links and key areas.

4. Some units import for the sake of import, or import to make up a certain number of contracts. Some people insist on importing what is essentially a simple piece of technology which can be acquired at home at a far lower price. In some cases, even technology considered obsolete overseas was imported at great cost as advanced materials.

5. Many imports duplicate one another. This is one of the more widespread problems in technology selection today. Duplication occurs not only between provinces, municipalities, open cities or even within a city, but also within the same locality.

#### IV. Some Proposals for Making Sound Choices in Technology Import

1. We must seriously overcome our impatience to rush through a deal. In selecting technology imports, we must know ourselves as well as we know the other party. Mistakes become inevitable when we make hasty moves without knowing our cooperation partner's technical standards and attributes and without considering whether the proposed import is suited to the nation's technical basis and economic conditions. The ancients said, "It is difficult to know the other person. It is even more difficult to know oneself." It is impossible to make the right choice when one has not seriously analyzed one's actual circumstances. The result can only be "more haste, less speed." We must earnestly try to control our impatience.

2. We must choose technology which is right for China and cannot blindly transplant any foreign experience or model. For instance, we cannot mechanically follow the so-called traditional development strategy and adaptive development strategy so popular in the West. On the other hand, we should not reject them out of hand either. What we should do is to "make foreign things serve China," taking whatever that adapts well to our conditions, and draw lessons from foreign strategies. So long as we are armed with our own macro strategy, we will have little difficulty overcoming our misguided tendency to keep up with the Joneses.

3. We should strengthen planning and guidance at the grassroots. Which piece of technology should be imported? Which should not? In what order? We need planning to prioritize and coordinate our technology imports. Good planning cuts down on duplication and avoids wasting manpower, materials, and financial resources. While we must continue to implement the principle of decentralization, we should not take decentralization to mean non-interference. When it comes to technology selection, the unit responsible for overseeing an industry is duty-bound to help the grassroots and fulfill its supervisory role.

4. We must strengthen information gathering, research and analysis of experience. What should we import? At which level? What should be the scope of our import? What is the market outlook? To answer these questions, we must begin by gathering information, which is indispensable to making a rational technical decision. In analyzing the information thus gathered, we must pay equal attention to technical and economic results, on the one hand, and social implications, on the other. Valuable information also derives from a timely review of our experience. Success stories must be shared so that everybody can learn from them. Failures, for which somebody somewhere must have paid a price, are also valuable in that they teach us what not to do. Since even mistakes can thus be made to serve our purpose, we should not gloss over them.

5. We must work together aggressively with one heart and one mind. Technology import covers a wide area. Only by cooperating with one another and coordinating our moves closely can we make rational decisions in technology selection.

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## FOREIGN TRADE AND INVESTMENT

### FARM EXPORT STRATEGY SHOULD RESPOND TO WORLD FOOD SITUATION

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 2, Mar-Apr 85 pp 44-49

[Article by Li Mingyi [2621 2494 5030] and Wang Pin [3769 0756]: "China Should Adopt a Flexible Food Export Policy To Meet Changing World Conditions"]

[Excerpts] Food is a strategic issue affecting China's four modernizations and people's livelihood. Gaining a deeper understanding of the supply-and-demand trends in the international food situation and researching the impact of the world food situation on China are immensely significant for our effort to formulate a food development strategy and trade policy.

#### III. The World Food Situation Will Have an Unfavorable Impact on Food Supply in China

A world food shortage, obviously a boon to food exporting nations, spells trouble for importing nations. When a shortage develops, the United States transforms "food aid" into food trade to be paid for by cash, thus putting many developing nations dependent on food imports in a tight spot overnight. One direct consequence of short supplies is soaring food prices in the world market. In the 10 years before 1980, the price of wheat (hard winter wheat No 2) increased by more than 100 percent from \$56 per ton to \$116. International food prices continued their upward climb in 1981, when wheat prices rose by 31.9 percent over 1980, a steep annual increase even by historical standards. Food prices maintained their upward momentum across the board in 1983. Projections are that because of depleted stocks, inflation, rising food production costs, and potential unfavorable climatic changes, food prices are very unlikely to drop in the middle and latter part of the 1980's, much less resume their low pre-1972 levels.

Along with the vast numbers of developing nations, China has absorbed some of the shock of rising food prices. Before 1961, China was a net food exporter. After 1961, we gradually became a net food importer. During 1971-1981, our net food imports increased substantially each year and now stabilize at about 20,000 to 30,000 billion jin per year. About half of the commodity grains available to urban and rural residents are imports. Since the world food supply situation has become more and more unfavorable to the buyer, we have been paying a hefty price for our food imports. To import 1 jin of food, we

must export, under risky conditions, the equivalent in value of 2 jin. Importing food, therefore, does not pay, and will do so even less if the world food situation is any clue. We ran up a food trade deficit of 4.2 billion yuan in 1981.

In light of the above analysis, we must start closing the food supply-and-demand gap right here at home. First, we must strive to increase domestic food output. Second, we must increase the proportion of marketable grains on the basis of equitable distribution. Third, we must accelerate production of food substitutes and tap new food resources extensively. Of course, given the country's meager amount of arable land, which effectively limits our food output potential, we can only gradually reduce our dependence on food imports, instead of ending it overnight. From now on, we must work hard to create the right conditions and transform our dependence on the international market to fill gaps in our food supply into depending on it to increase variety, which will make good economic sense. For example, we have been exporting rice and importing wheat for many years, which pays since rice commands almost twice, often three times, as much as wheat in the international market. To cite another example, we imported slightly more grains in 1980, at the same time modifying the distribution of crops depending on local circumstances. The result is that our output of cotton and sugar went up, which meant a corresponding decrease in the imports of these commodities. Because of commodity price fluctuations in the international market, we ended up with a gain of \$400 million. In addition, we saved more than \$1 billion by reducing our sugar and cotton imports. To be sure, the prices of agricultural products in the world market are highly unstable. In 1981 the price of sugar eased while that of grains edged up; it was then more advantageous to import sugar than grains. The trend over the past 2 years points to a continuous decline for sugar; since August 1983, the price of sugar has dropped by almost 50 percent. In March 1984, a ton of sugar cost only 107 pounds sterling in the London sugar market. Under these circumstances, we should consider adjusting the distribution of our crop production with the aim of increasing sugar imports and minimizing or eliminating grain imports. Since 1983, peanut kernel has been in short supply in the world market, and with its price holding firm, some buyers have been prompted to turn to China for supplies. We exported 90,000 tons of peanut kernel in 1983-1984, almost one-fourth of the world's total output of 384,000 tons. As numerous areas in China are suited for peanut cultivation, we have good potential as a peanut producer. In short, we must examine the supply-demand situation of agricultural products in the international market in a timely way, flexibly regulate our mix of crops through the international market and decide whether to import and how much by weighing and costs and benefits. This way we can minimize or avoid any losses even if grain prices shoot up. In fact, if we hit upon the right strategies, we may even make a profit.

Although we predicate our food development strategy and trade policy on a food shortage in the international market, we should not rule out the possibility of another food glut. Food prices for the past 20 years have been highly volatile, with sharp rises interrupted by moderate declines, so the trend on the whole takes an upward curved direction. We should put this market reality to good use and be ever ready for change by changing our policies, instead of keeping a static posture in the face of shifting circumstances. Buyers in the

international food market do have a number of things going for them right now. Good prices have proved to be an incentive to increasing food production. In early 1984, the United States Government decided to partially end the system under which farmers are paid to let their land lie idle and brought 20 million hectares back under cultivation, thereby expanding grain production. A similar tendency can be seen in other food producing nations. With good weather in the southern hemisphere in the first half of 1984, Latin America, Australia and southern Africa are expected to reap their first bumper harvests in 1984. The estimated wheat output for 1983-84 is 490 million tons. Also, many developing nations now realize the dangers of population growth and have taken birth control measures to limit it. Rising food prices have also prompted some countries dependent on food imports to increase investments in domestic food production. In some countries, the pace of the "Green Revolution" is picking up. All these factors are cause for new hope that the world food situation can be turned around. With that in mind, we must make our food trade policy flexible and versatile. Only by thus skillfully manipulating the international market can we keep a favorable position in the complex world of international food trade and ensure an adequate food supply at home.

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## TRANSPORTATION

### DEVELOPMENT OF WATER TRANSPORTATION ON THE CHANG JIANG

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 3,  
20 Mar 85 pp 21-24

[Article by Wang Ruisun [3769 3843 5549]: "Attach Importance to the Development of Shipping on the Chang Jiang"]

[Text] The Chang Jiang is one of the world-famous and highly valuable waterways, an extremely precious treasure bestowed on us by nature. During the 30-odd years since the establishment of the PRC, great successes have been achieved in such areas as flood prevention, irrigation, power generation and shipping in the water system of the Chang Jiang, but many problems still remain regarding its comprehensive development and utilization. Especially regarding shipping on the Chang Jiang, we are lagging far behind the demands of our developing national economy, and this should be grounds for our most serious attention.

The backwardness in making the water system of the Chang Jiang available for shipping manifests itself mainly in the following circumstances:

First, most of the waterways in the Chang Jiang system are basically still left in their natural state. There are over 3,600 larger and smaller waterways in the Chang Jiang system, with a length of over 70,000 km of navigable channels, accounting for about 70 percent of the total length of all navigable inland waterways in the country. Because the large majority of these waterways are basically left in their natural state, 100-ton class boats and barges can only use 27,000 km, which is 38 percent of the total navigable length. Only a little over 4,200 km, or 6 percent of the total length, can be used by 300-ton class boats and barges.

Second, the technological installations for shipping on the Chang Jiang system are of a low quality. There is no uniform standard for the main and branch channels, there is no interrelated network, equipment in most ports is backward, mechanization is less than 10 percent and loading and unloading still basically relies on human shoulders and backs. The boats are overaged, with about 30 percent being of wood or cement, and of a complex variety of shapes and engines. The shipping trade aims at "large and comprehensive" or "small and comprehensive," its products are of low quality and high-priced, and the building and repair of boats takes too long. Communications and

supply facilities are backward; local ships basically have no communications equipment at all. There are no rules or regulations governing navigation, ports and transportation, the management system is irrational, and business affairs are poorly administered.

Third, too many structures on or over waterways in the Chang Jiang system obstruct and adversely affect navigation. According to 1983 statistics, since the establishment of the PRC 35 years ago, 1,707 locks and dams have been built on the navigable channels of the Chang Jiang system in 10 provinces and 1 municipality, 753 of which are locks and dams that obstruct navigation and cut off stretches of navigable channels to a length of over 10,000 km. Even those that were built with facilities allowing boats to pass were frequently built to too low standards, did not work properly, were unable to get the boats across, thus seriously restricting the development of navigation. For instance, at the traffic hub at the mouth of the Dan Jiang, a river flowing into the Han Jiang, the largest tributary of the Chang Jiang, a boat elevator was built of a capacity that will allow passage of only 400,000 tons of shipping per year; it can accommodate only small boats up to 150 tons and is, furthermore, not working well. Moreover, some of the railway bridges over the Chang Jiang do not leave sufficient space and are already, or will soon be, obstructing certain types of vessels.

It is precisely for the above reasons that navigation on the Chang Jiang has not been fully utilized. Whatever achievements there have been were accomplished merely in reliance on the natural navigable channels. If we compare the Mississippi River in the United States we can get an idea of the huge potential for shipping that the Chang Jiang offers. The natural conditions of the Mississippi system are not as good as those of the Chang Jiang system, but it accomplished transportation of 375 million tons of cargo in 1978 with a transport turnover of 219 billion km, which is 1.5 times and 3.7 times, respectively, that of the Chang Jiang in 1983. The degree to which the main channel of the Chang Jiang is being used is only one-seventh that of the Mississippi, and only equal to a 3,000 km stretch of railway in China. If the main channel of the Chang Jiang would be used to the same degree as the Mississippi, its transport capacity would be equal to that of a railway at least 20,000 km length. If the transport potential of its waterways longer than 70,000 km would be fully brought into play, it would even be equivalent to a railway 100,000 km long. It is most regrettable that so large a transport potential is not being fully utilized, allowing the spring waters of this large stream to run off almost unused.

The problem is now this: the Chang Jiang basin, one of China's economically most developed regions, with a rapid development of commodity production, almost daily growing economic exchange, and a generally high standard of living, will increasingly pose an ever larger transportation task for the Chang Jiang system. According to statistics, a volume of about 500 million tons of cargo is currently being transported over 180 billion km by boat and railway throughout the Chang Jiang basin. Again, according to preliminary forecasts, this volume will reach 1 billion tons over 500 billion km by the end of this century, or increases of 1 and 1.8-fold respectively, are foreseen, and a 1.4-fold increase is forecast for the number of passengers and passenger turnover. A transport task of these huge dimensions can only be

accomplished with a concerted effort on the part of all transportation forces in the skies, on land and on water. However, the transport capacity of the 15,000 km of railways and 260,000 km of highways in the Chang Jiang basin is basically by now fully saturated, leaving little potential still to be exploited. Apart from the construction of a few more railway lines and highways, the major solution for the problem will have to rely on the full exploitation of the potential which the Chang Jiang system presents for transportation by water. Looking ahead at the urgent demand posed by our vigorously developing economy for an equal development of transportation, and considering the current situation of traffic and transportation, we become aware of the Chang Jiang system as a rich resource for water transportation, but on the other hand see it currently still stagnating in a very backward condition as far as water transportation is concerned. It is, therefore, a task of top priority to speed up the development and utilization of water transport over the Chang Jiang system. In a certain sense, it is an important question which the state must raise for consideration as a question of strategic significance.

How can we accelerate the development of Chang Jiang shipping? We must give emphasis to resolving the following issues:

1. First, we must start out from the aim of building socialism with Chinese characteristics and accurately perceive the special position and role of Chang Jiang shipping within the framework of our developing national economy. Chang Jiang shipping is of so eminent an importance because the Chang Jiang basin is so closely linked with China's entire socialist economic construction. The Chang Jiang basin extends over an area of more than 1.8 sq km, is inhabited by two-fifths of China's total population, produces 40 percent of China's total industrial and agricultural output value, and has a temperate climate and abundant natural resources. On the upper reaches of the river, there is the economic zone centered around the city of Chongqing, on its middle reaches the economic zone centered around the city of Wuhan and at its lower reaches the economic zone centered around Shanghai. These zones, culturally highly developed and technologically comparatively well advanced, represent one of China's economically most developed regions. Effective economic construction in the Chang Jiang basin is of decisive significance for the prosperity of the entire Chinese economy.

It would be impossible, however, to achieve the economic development of the Chang Jiang basin and the prosperity of its industry and agriculture without well-developed systems of commerce and transportation. The advantageous shipping conditions of the Chang Jiang system, with its main channels running horizontally west to east and its tributaries linking north with south, resembling human blood vessels, are effective means of integrating production areas and promoting commerce throughout the region. Especially under the peculiar conditions of China--starting out from a poor economic foundation and having little arable land--the development of Chang Jiang shipping is more advantageous than building more railways and highways: (1) It would occupy less arable land. The construction of 1 km of railway requires on the average about 30 mu of good farmland in mountainous areas, about 35 mu in hilly areas and more than 40 mu in the plains. Calculating at the rate of 35 mu per km, the construction of a single track railway from Chongqing to Shanghai of a

length equal to the main channel of the Chang Jiang would occupy more than 87,000 mu of land. The construction of an equally long highway would similarly require much farmland. On the other hand, utilizing the main channels of the Chang Jiang and its major tributaries for the development of water transportation could be achieved without occupying--or occupying very little--farmland, or would even create land by regulating the waterway. (2) It would save construction investments. Railway construction currently requires about 1.5 to 2.5 million yuan per km in flat or hilly country and about 3 to 4 million yuan in mountainous regions. Highway construction also requires around 300,000 yuan per km. Shipment by water, on the other hand, can utilize the natural rivers and their banks. Especially the wide and deep waters on the middle and lower reaches of the Chang Jiang require little investment in order to gain excellent results in its development and utilization. (3) Large navigational capacity: According to investigations, the navigational channel of the Sichuan section of the Chang Jiang main waterway, which runs through mountainous regions, would have a capacity for simultaneous navigation of up to around 33 million tons, prior to the thorough regulation of its navigational channel. At the middle and lower reaches past Yichang, the river is very broad, and two or three fleets of ships can sail side by side on the river without crowding. The simultaneous shipping capacity here is estimated to be more than 10 times that of the Sichuan section. The carrying capacity of fleets of vessels on the main channel of the Chang Jiang by transport methods other than large ocean vessels is also large beyond comparison.

The development of Chang Jiang shipping would, therefore, be the right way, starting out from the realities of China, to solve the problem of transport shortages and to accelerate economic development of the Chang Jiang basin. Moreover, the significance of developing Chang Jiang shipping is not limited to these points: we should also take note of the facilities offered by foreign trading ports on the Chang Jiang for direct shipments across the oceans, the ability, as far as foreign trade is concerned, to muster the economic strength of the basin for opening up markets abroad and for importing foreign capital and technologies. As far as the domestic economy is concerned, Chang Jiang shipping will link the coastal areas with the interior, the advanced districts with the backward districts in the eastern and western parts of the country, and will promote the prosperity of the entire national economy. This will be significant for an even more penetrating and far-reaching development of China's economy, because if we say that the reason for the insufficient development and utilization of the Chang Jiang system in the past was, among other things, insufficient awareness of the special position and role that the Chang Jiang system plays in the development of China's economy, we must no longer stagnate longer in this same limited stage of recognition. We must gain a new realization of the value of developing the Chang Jiang shipping and bring Chang Jiang shipping fully into play.

2. Second, we must reform the management system, bring about a comprehensive development and utilization of the Chang Jiang system and remove all obstacles to the development of Chang Jiang shipping. The Chang Jiang, this huge resource bestowed on us by nature, has a great variety of qualities, it can be useful for shipping, power generation, irrigation, aquatic breeding, as a source of water supplies for industrial purposes, for tourism and as an

instrument for flood prevention. Full utilization of the water resource would mean the fullest use of the various possible functions of the Chang Jiang. However, since these functions all involve the use of water from one and the same river, there is unity of purpose as well as conflict of interests among them. Looking, for instance, at the relationship between shipping and power generation on the Chang Jiang, the construction of power stations, large dams and reservoirs can have the effect of improving navigation channels and thus aiding shipping. On the other hand, however, when dams are built, locks must be provided, which make it less convenient for ships to pass than a direct passage along an unimpeded waterway. If locks are not provided, or are provided at standards too low for navigational purposes, it will directly affect shipping and reduce, possibly even destroy, navigability of the Chang Jiang. This is only one example; it does not cover the whole relationship of unity and conflict between shipping and power generation, and we also omit here discussing unity and conflict as they occur with the other functions. It merely makes it quite clear that the Chang Jiang fulfills many functions, and that unity and conflict is encountered with all of them. If operations are properly carried out, the various functions, when brought into play, can be mutually beneficial without any conflicts and can produce overall beneficial results. In the opposite case, with inappropriate operations, there will be mutual conflict and harm, which will cause the destruction of the water resources of the Chang Jiang.

The effective and comprehensive use of the Chang Jiang water resources and the development of Chang Jiang shipping will depend crucially on the proper solution to the problem of an efficient administrative system for the Chang Jiang water resource. The current administrative system of the Chang Jiang water resource is plagued by divisiveness among several central and local authorities; things that should be centralized cannot be centralized, and things that should be decentralized cannot be decentralized. For one and the same river, flood prevention and power generation are administered by the Ministry of Water Resources and Electric Power, shipping affairs are administered by the Ministry of Communications, aquatic production is administered by the Ministry of Agriculture, Animal Husbandry and Fishery, the protection against water pollution is administered by the Ministry of Urban and Rural Construction and Environmental Protection, the China Travel and Tourism Bureau administers water-related scenic spots, while adjacent provinces, municipalities, prefectures and counties also have their hands in the administration. This administrative system is really like the proverbial "nine dragons controlling the waters," and "using any neighbor's place to dump unwanted material." The trouble with this system is that it absolutely contravenes the above-mentioned harmony between the various functions that should prevent mutual conflicts. The reasons are that this administrative system: (1) is detrimental to the overall utilization of the Chang Jiang water resources and to maximum utilization of these waters. Because jurisdiction is split, departments and localities assert their own demands, wanting to realize only their own objectives and interests, and this frequently results in securing someone's interest by destroying someone else's and harming the overall utilization of the Chang Jiang water resources, merely for the benefit of special sectional interests. (2) Funds for river conservancy are decentralized and cannot take comprehensive effect. Because each party involved has its own funds and pursues its own affairs, the limited funds of

the state cannot be concentrated within a certain time for use on the most pressing tasks. Whenever there is a retrenchment of funds, the party concerned will first cut out from its activities such items that do not directly benefit it. With this type of decentralized allotment of funds, it is frequently impossible to carry out water conservancy projects which basically would be of overall usefulness. (3) Each party is a government to itself, and "government issues from many doors." Because among departments, among localities and between departments and localities, their own special regulations and procedures are applied, it is impossible for anyone to control anyone. Once a conflict arises, nothing but endless debates ensue, and no resolution is brought about for long time, delaying the overall utilization of the Chang Jiang water resources.

As revealed in the actual conditions of the Chang Jiang system during the many years of its past, all the above-mentioned malpractices have frequently been harmful to shipping in most of the circumstances. Why? Because shipping presupposes an unimpaired passage along the whole channel, a channel that allows smooth passage and provides sufficient water for navigation. Because power generation, irrigation, aquatic breeding and other such pursuits use the same river water, some of these activities will have an adverse effect on the navigational channel and on the volume of water. For many years past, when the ideology prevailed of placing all emphasis on production and giving little attention to circulation, traffic and transportation, when inland water transportation in particular was given scant attention, it happened frequently that shipping was sacrificed as the price for the development of certain engineering projects. Taking as example the arrangements made for shipping facilities when undertaking water conservancy and power generation construction, we encounter on the whole the following four different situations: First, consideration is given to the comprehensive utilization and the needs of shipping; example: the Gezhouba project. Second, comprehensive utilization was initially planned for, but during actual execution, and for a variety of reasons, the standards for shipping facilities were very much reduced; example: the engineering project at the mouth of the Dan Jiang. Third, nominally reservations were indeed made for shipping facilities, but after scores of years, nothing of the sort is done anymore, as for instance, at the Xinan Jiang Power Station. Fourth, no consideration at all is given to shipping facilities, as, for instance, in the case of the locks and dams that obstruct shipping, as we mentioned earlier. If this situation is not mended it will be extremely detrimental to the development of Chang Jiang shipping.

Considering the important position that the Chang Jiang system occupies in China, it is our opinion that we should base ourselves on foreign experiences as reference and on the summary of lessons gained domestically, in effecting a change in the "nine dragons controlling the water," and establish one unified organization to administer the Chang Jiang water resources and entrust this one organization with the overall administrative control of planning all shipping, power generation, flood prevention and other such affairs of the Chang Jiang. Concretely, we recommend establishing a "Commission for the Comprehensive Development and Utilization of Chang Jiang Water Resources," to be directly under the guidance of the State Council and responsible for drawing up the overall plan for utilization of the Chang Jiang water resources and to supervise the implementation of the plan. This, then, to be the highest

authority in all matters relating to the overall utilization of Chang Jiang water resources. In this manner, we could preclude various departments and local regions from pursuing different objectives and economic interests and also avoid the evil practice of someone securing his interests by destroying someone else's. We must change from "a herd of dragons without head" to a "herd of dragons with a head." This would help arriving at a state where each department and locality would effectively cooperate within a scheme of comprehensive utilization of the water resources, of having shipping, power generation, irrigation and aquatic breeding all being properly provided for, of making maximum use of the water and achieving the best possible economic results from such comprehensive utilization.

Developing Chang Jiang shipping will require not only solving the problem of the overall system of administering the water resources, but also the problem of establishing a system for the administration of shipping itself. Starting in January 1984, a ports and shipping branch administration was established for the major channel of the Chang Jiang, which was indeed a gratifying step toward reforming the administrative system for Chang Jiang shipping. However, since the reform of the Chang Jiang shipping system is bound up with a broad spectrum of affairs and faces many problems, there is still much work to be done, and we must accelerate the pace of reforms in order to meet the needs of developments in the shipping affairs of the Chang Jiang.

3. Finally, development of Chang Jiang shipping demands the effective distribution of industry along the river and within the entire river basin and demands the gradual modernization of the technological conditions necessary for the smooth passage of all Chang Jiang shipping. In the 35 years since the establishment of the PRC, great economic developments have taken place on both banks of the Chang Jiang and throughout the entire river basin. A whole series of large-scale iron and steel mills, oil refineries, thermal power stations, chemical fertilizer plants, chemical fiber plants, cement works and a large number of medium- and small-scale enterprises have arrayed themselves on both banks of the river; both the economy of the area of the main river itself as well as of the principal tributaries has experienced great development. These industries can on the one hand utilize the abundant water resource of the Chang Jiang as "raw material," and on the other hand avail themselves of the water transport facilities of the Chang Jiang for large-scale importation of raw materials and exportation of finished products.

However, we must also realize that in the distribution of industries in China, insufficient care was taken in the distribution of factories along the rivers of the Chang Jiang system. Full advantage was, therefore, not taken of the shipping facilities on the inland rivers. If the factories are built along the rivers, and full advantage is taken of the shipping facilities on the Chang Jiang and other inland rivers, we could realize huge economic gains. In the future, therefore, the distribution of industries must fully consider utilizing Chang Jiang shipping, and rational distribution must be made of industries along the Chang Jiang system; this will further promote the rapid development of shipping affairs.

Development of shipping, navigation channels, ports, vessels and communications are the material foundation; they are the four elements that guarantee the smooth progress of Chang Jiang shipping. However, generally speaking, these four elements are currently rather backward. Speaking of the navigation channels, repairs have not been made to the Chang Jiang water system for a long time. Most waterways have been left in their natural conditions. In the flood season the water level rises high and in the dry season the water is a shallow shoal. In addition, numerous construction projects that obstruct shipping are being built, dykes are built to reclaim land for farming, thereby shortening the natural flow and reducing the time when navigation is possible and compelling cargo to prefer overland routes. Only on the middle and lower reaches of the Chang Jiang and at the various provincial capitals and big cities is there some mechanized equipment, but in most ports, the equipment is primitive and scant, there are insufficient warehouses and storage places, short quays, few berths, loading and unloading relies on human shoulders and backs, passengers have to climb steep embankments, and all is in a rather primitive state. Speaking of the boats, most are technically outdated and have only small load capacities, main engines and machinery are backward, wasteful in energy consumption and of low efficiency. Communications equipment is even more backward; there is practically no modern equipment at all. Most small vessels are operated by experience, rely on techniques of the "sailing ship age," and equally old engines to move the ship. Were one to attempt, under the above-stated conditions, to fulfill the shipping task that we are faced with in view of the developing economy, it would obviously be impossible to accomplish the task. If we are to guarantee the supply of navigational channels, ports, vessels and communications of high quality for service, the key lies in raising the degree of their modernizations.

For this purpose, we must strengthen the work of regulating the navigation channels, eliminate locks and dams or low bridges that obstruct shipping. From a long-term point of view, we must lengthen the network of navigational channels at a uniform standard of water depth; we must integrate the readjustment of the distribution of cities and in accordance with the local conditions construct various typical wharves. We must employ hoisting machinery with combined loading and unloading equipment and eliminate transport by human shoulders. To change the backward condition of the vessels we must not lose the opportunity to eliminate all old vessels; we must import advanced technology to raise the operational and control capacity of vessels. We must as soon as possible improve communications technology and construct a complete special communications network for communications between ships and the shore.

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## TRANSPORTATION

### TECHNOLOGICAL IMPROVEMENT OF CHINA'S HIGHWAYS EMPHASIZED

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[Article by Zhu Xinshu [4376 1800 2885] and Wei Chengrui [7279 2110 3843] of the Highway Planning and Design Institute Under the Ministry of Communications: "A Superficial Discussion of the Focus of the Technological Transformation of China's Existing Highways"]

[Text] Having the advantages of flexible, fast and door-to-door transportation, highway transportation should play a main role in short-distance passenger and freight transportation and should constitute an important position in the entire communications and transportation system. However, our country only has a few highways at present. In addition, these highways are of poor standards and condition, and are far from meeting the needs of the current development by leaps and bounds of our national economy. Thus, strengthening highway construction is a task which brooks no delay.

To resolve the contradiction between highway transportation capacity and transportation volume, in addition to vigorously developing the automobile industry, we should emphasize the following two aspects: First, build all kinds of highways (including expressways) as quickly as possible and increase the mileage of highway service. Second, strengthen the technological transformation of existing highways, improve technological classes and grades, improve highway conditions, and fully tap the potential of existing highways. This article will present some ideas with a focus on the technological transformation of existing highways.

We feel that, in carrying out the technological transformation of existing highways, we must consistently proceed from the realities of China, take into consideration economic results, and combine need with possibility, technology with the economy, the distant future with the near future, and maintenance with transformation. Under the present circumstance when the state is still unable to appropriate a large amount of funds for highway construction, we must use the limited funds where they are needed most. Thus, we should focus transformation of and make priority arrangements for the highway trunk lines and suburban sections of the large and medium-sized cities with a large traffic volume, highways concerned with energy development, harbor distribution, railway diversion and tourist development, road surfaces that fail to meet the traffic volume and route criteria, or bridges that have low

load criteria and are dangerous, ferries that take a long time to cross and incur great economic losses, and highway-railway crossings where traffic is heavy and more accidents occur. Now, we will discuss these one by one.

#### I. Highway Trunk Lines and Suburban Sections of Large and Medium Cities With Large Traffic Volume and Transport Volume

Currently, there are over 250,000 km of highway trunk lines in our country, constituting 28 percent of the total highway mileage (of this, First and Second Class highways constitute 6.20 percent, Third Class highways 33.56 percent and Fourth Class highways 60.24 percent). However, the traffic volume which these highways shoulder constitutes 65 percent of the total highway traffic volume. According to the incomplete statistics of late 1981 for Anhui, Hunan, Sichuan and Gansu, while these highway trunk lines represented just 14 to 30 percent of the total highway mileage, they shouldered 66 to 75 percent and 65 to 80 percent of the freight volume and passenger volume respectively. However, the technological condition of these highway trunk lines was incompatible with the current traffic volume. This is particularly prominent with the First and Second Class highways. In view of the traffic volume of the highway trunk lines of Shandong, Sichuan, Hunan and Heilongjiang, there were 336 km with an annual average daily traffic volume of over 5,000 vehicles. However, only 26 km attained the criteria for First Class highways. There were 6,248 km with an annual average daily traffic volume of 2,000 to 5,000 vehicles, but only 2,211 km of these were Second Class highways. According to our present traffic volume, we should have 26,421 km of Third Class highways. In reality, we only have 18,339 km; the rest are Fourth Class highways or below. Along the Lianyungang-Lanzhou Railway in Hunan Province was state highway Route 310, which was 655 km long. In 1981, the annual average daily car traffic volume of the entire line was 1,290 vehicles, and mixed traffic volume was 3,210 vehicles. Along the Beijing-Guangzhou Railway runs state highway Route 107, 576 km long. The annual average daily car traffic volume for the entire highway was 1,048 vehicles, and mixed traffic volume was 1,931 vehicles. According to the demand of traffic volume, both these state highways should be Second Class highways. However, in reality, the sections which conformed to that class constituted less than 1 percent, and the remaining sections were Third and Fourth Class highways. The abovementioned highway trunk lines with incompatible technological classes and traffic volumes not only had low traffic speed but oftentimes congestion, sometimes even accidents. These lines failed to play a core role in the network of highway trunklines. Thus, in the technological transformation of existing highways, we should focus on the highway trunk lines, transform them as quickly as possible, and improve their technological classes in order to meet transportation needs.

As for the suburban highways of the large and medium-sized cities, incomplete statistics of the traffic volume of 51 state highways near 24 cities show that the suburban sections of the highway trunk lines are those sections which most frequently exceed the designed capacity for traffic volume. According to statistics, the mileage of the eight suburban sections of Hunan Province constitutes 1.21 percent of the highway mileage for the entire province, and yet the passenger and freight volumes which these sections shoulder are 31.8 percent and 14.58 percent respectively. However, the technological criteria

of these sections are incompatible with the busy traffic volume. For instance, at the four exits from Changsha City, with the exception of one exit which can fulfill the demands, the other three exits, which should be Second Class highways according to their traffic volume, are currently only Fourth Class highways and are urgently awaiting technological improvement. The suburban highways throughout the country are basically the same.

Traffic volume in the suburban sections is high and is complex in makeup. In mixed transportation, there are large numbers of non-motor vehicles drawn by man or animals, bicycles and pedestrians. Currently, the observation of traffic volume has not produced statistics involving pedestrians when in reality pedestrians constitute a component part in our country's highway traffic volume not to be ignored. In the composition of traffic volume (not including pedestrians) in some suburban sections, the percentage of non-motor vehicles is often over 50 percent. Because of the poor technological condition, the large traffic flow, the complex composition and improper management of the suburban sections, traffic accidents are frequent. Statistics from Beijing Municipality show that in 1981, an average of 1.29 traffic accidents occurred in every km on the suburban sections, compared to the national average of only 0.13. Thus, we should focus the technological transformation of existing highway trunk lines on the suburban sections, and undoubtedly should give them priority consideration.

## II. Highways Relevant to Energy Development, Harbor Distribution, Railway Diversion and Development of Tourism

With the acceleration of energy development, transportation involving energy resources--coal in particular--will inevitably increase the pressure on highway transportation. The traffic volume of those highways relevant to the transportation of energy resources will inevitably increase. For instance, the transportation of coal out of Shanxi Province, our country's largest coal base, is related to the economic construction of 24 provinces, municipalities and autonomous regions throughout the country. The transport of every ton of coal out will minimize some 100 yuan of losses for the state. In 1980, coal transportation constituted over 50 percent of the freight volume fulfilled by highway transportation in Shanxi Province. It is estimated that, with the further development of Shanxi's coal base, the highway freight volume in the years 1990 and 2000 will increase by 1.3 times and 3.7 times respectively over 1980.

With the development of railways, water transportation and foreign trade, the materials distributed in the major cities, train stations and harbors will necessarily increase. In particular, the shortage of harbor comprehensive service capacity will become more prominent. For instance, it is estimated that the annual loading and unloading capacity and highway transport volume of the new Tanggu Harbor in Tianjin in 1990 will be 1.9 times and 1.6 times over 1980. Highway transportation will play an important role in carrying out dispersion without delay and rapidly and in speeding up vehicular, boat and warehouse turnover and cargo flow.

After many years of successful economic reform, a new situation has appeared in China's rural areas. Medium- and short-distance passenger and freight

volumes have continued to increase. Furthermore, with the readjustment of the communications and transportation structure, a portion of the short-distance passenger and freight volumes of the railways will also be shared by highway transportation. In addition, the development of highway long-distance piecemeal transportation and the need for medium-distance passenger transportation will bring about rapid expansion of highway traffic volume.

In addition, with implementation of the open door policy and revitalizing the domestic economy, more and more foreigners will travel in China. Compared to 1983, there was a growth of 30.4 percent in 1984. At home, as people become more well-to-do and as livelihood improves, tourists are also increasing. Thus, in recent years, our tourist business has developed rapidly. We must therefore change the backward condition of the highways and provide better highway service for the tourists so as to increase our national income.

The above explains why we must accelerate the technological transformation of those highways relevant to energy development, harbor distribution, railway diversion and the development of the tourist business. We suggest that transformation be carried out with emphasis on the nature of highway use and the plans of the relevant sectors.

### III. Road Surfaces Unsuitable to Traffic Volumes and Route Criteria

Among China's existing highways there are 165,000 km of high-class and second-class road surface, constituting only 18 percent of the total mileage. The rest is mostly sand and stone surfaced or dirt roads. Presently, blacktop [heise lumian 7815 5331 6424 7240] shoulders 50 percent of the highway traffic volume of the entire country. Compared to the sand and stone road surface, the economic results of blacktop are obvious in terms of reducing transportation costs, improving the speed of motor vehicles, economizing energy, lengthening the service life of the motor vehicles and economizing maintenance fees. According to relevant materials, it is estimated that if sand and stone road surfaces and dirt roads are changed to blacktop, we can lower transportation costs by 15 percent and save 10 to 15 percent on gasoline. In addition, blacktop is more adaptable to inclement weather conditions than sand and stone roads, reducing the hazards of dust for residents and crops along the highways, and improving service quality. Still further, the sand and stone road surface and dirt roads are far from meeting the needs of the development of communications and transportation. Thus, in carrying out technological transformation on existing highways, we should focus on the improvement of road surfaces. We should pave medium-class road surface on dirt roads, which constitute one-fourth of China's existing highways, particularly dirt roads on highway trunk lines, in order to guarantee service in both sunny and rainy days.

In carrying out technological transformation on existing highways, we must correctly handle the relationship between improving linearity and improving road surface grades. Toward those highways with linearity which do not conform to the needs of development, we must first transform the linearity before transforming the road surface or do both simultaneously. While improving standards of linearity, we must correspondingly improve the grade of the road surface in order to bring into full play the results of linearity.

Before transforming low linearity standards, we must not be too eager to pave high-grade or second-grade road surfaces. Otherwise, during its period of use, the results of the road surface will not be brought into full play due to linear incompatibility. The subsequent transformation of linearity will waste the road surface construction project and even increase vehicular accidents. According to the statistics of an investigation on the six highway trunk lines in Sichuan Province which have been paved with blacktop, of the 2,588 km, 50 percent are below the Fourth Class highways and 40 percent are Fourth Class highways. The smallest radius of the parallel curve is only 11 meters, and the largest longitudinal gradient is 14.4 percent. Prior to paving the blacktop, only some supplemental widening and focal cut-off and regrading have been done to the road foundation without a thorough transformation of the parallel and longitudinal linearity according to technological criteria. As a result, linear standards are still poor. After paving the blacktop, the speed of motor vehicles improves and the road surface friction coefficient falls. With slight negligence on the driver's part, accidents will occur. As a result, traffic accidents increase.

#### IV. Bridges That Have Low Weight-Load Standards and Are Dangerous

Since the 1950's, motor vehicle transportation has developed very rapidly throughout the world. In order to improve transportation efficiency and reduce cost and energy consumption, the proportion of high-tonnage motor vehicles and tractor-trailers has increased daily. The inadequate carrying capacity of bridges has frequently been a factor restricting the development of high-tonnage motor vehicles.

Currently, our country's trucks are primarily medium-sized trucks. Roughly 70 percent have a weight-load of 4 to 5 tons. This pattern of shortage of heavyweight and lightweight trucks and the presence of old and used motor vehicles is an important reason for the low efficiency and high energy consumption characterizing China's motor vehicle transportation. With the continuous growth of the highway transportation volume, high-tonnage motor vehicles, trailer transportation and containerized transportation will inevitably develop to a greater extent, thereby posing greater demands on the weight-load criteria for the bridges. However, the present condition of our country's bridges is incompatible with the following primary manifestations:

A. The Weight-Load Standards for Existing Bridges Fail To Conform to Demands: China currently has 136,000 highway bridges, with a total length of 3.9 million meters. Of this, the total length of permanent bridges constitutes 96 percent. Because of the changes on numerous occasions of the "Technological Criteria for Highway Construction," there are numerous ways to configure the weight-load grades. On the trunk highway lines, the large and medium-sized bridges which have criteria higher than the Class 15 motor vehicles constitute 8.5 percent; those which have criteria for the original Class 13 to 15 motor vehicles constitute 81.4 percent; those which have criteria below the Class 10 motor vehicles (including dangerous bridges) constitute the remainder. From this we can see that over 90 percent of the existing bridges fail to conform to the demands of high-tonnage motor vehicle transportation.

B. Dangerous Bridges Seriously Affect Highway Traffic Safety: Of China's existing highway bridges, there are 4,572 dangerous bridges, with a total length of 120,000 meters (statistical figure at the end of 1983). Of this, there are 1,005 dangerous bridges on the trunk highway lines, with a total length of 42,000 meters (in the next few years, the number of dangerous bridges will continue to increase). Measures of speed and weight limit must be adopted for trucks which pass the dangerous bridges. This not only affects highway service capacity, but also seriously affects traffic safety. In particular, on the trunk highway lines, with the continuous growth in traffic volume, in the dangerous bridge sections where speed and weight limit is imposed, traffic congestion and traffic hazard will become more and more serious.

C. Broad Roads and Narrow Bridges Affect Highway Service Capacity: On the existing highways in our country, there are many bridges which have been built in the past. While the bridge surface has a net width of 6 meters, the road foundation and road surface are for two-way traffic. These bridges cannot satisfy the demand of two-way traffic, which will easily lead to traffic congestion at the head of the bridges, thereby seriously affecting highway service capacity and even resulting in traffic accidents.

The above-mentioned bridges should be the focus of technological transformation. In light of different situations, we must adopt such measures as consolidation and widening or tearing down for rebuilding in order to improve the service capacity (including weight-load criteria and net width of bridge surface) of the bridges on the existing highways, especially the existing trunk highway lines, and accelerate transformation of the existing dangerous bridges.

#### V. Ferries That Take a Long Time To Cross and Involve Great Economic Losses

There are 675 ferries (37 percent of which were manually-driven) on the highways throughout the country. Of this, 217 are on trunk highway lines (statistical figures at the end of 1983). The situation involves poor ferry facilities and low efficiency in ferry transportation. According to an investigation of the ferries on the trunk highway lines in Sichuan Province, all the ferries must stop in every fog and flood, which is anywhere between 3 to 25 days in a year. Some ferries have no night crossings. Because of large traffic volume (according to the statistics of 84 ferries, 60.7 percent of the ferries have a traffic volume of over 500 motor vehicles), length of time without crossings and length of time waiting for crossings, transportation losses are great and ferry management expenses are also high. This condition is incompatible with the demands of war preparedness and highway modernization. We are anxiously awaiting the change from ferries to bridges.

The economic results of converting from ferries to bridges are obvious. According to the feasibility study of six ferries (see table below), including Hunan's Changde, the investment can be recovered in 4 to 8 years' time.

Table 1. Economic Results of Converting from Ferries to Bridges

Location of ferry	River	Ferry transport volume (cars/day)	Investment in bridge-building (10,000 yuan)	Economic results (10,000 yuan/year)	Period of recovery (year)
Changde, Hunan	Yuan Shui	1498	300	507	6
Sinan, Guizhou	Wu Jiang	210	1000	124	8
Qu County, Sichuan	Qu He	1257	1500	373	4
Langzhong, Sichuan	Jialing				
	Jiang	868	1000	212	4
Chang Jiang Bridge, Chongqing	Chang Jiang		6468	1093	6
Huang He Bridge, Lanzhou	Huang He		1109	134	8

From the above table, we can see that the larger the traffic volume of the ferry, the greater the loss incurred from stopping the ferry or waiting for it, and the more obvious the economic results in converting from ferries to bridges. Thus, among the existing ferries, we should first of all gradually transform manually-driven ferries into motorized ferries in order to improve their transport capacities. We should concentrate on actively transforming those ferries which have a large traffic volume, long ferry-waiting time and great economic losses into bridges.

#### VI. Highway-Railway Junctions Where Traffic Is Heavy and Accidents More Frequent

The highway and railway crossings in China are primarily level crossings. According to data from the Ministry of Railways, there were 36,600 highway-railway level crossings throughout the country in 1984. Analysis and estimation show that 70 million yuan of losses result from accidents at level-crossing junctions every year. Closing the junctions results in traffic obstruction and 430 million yuan in passenger and freight transportation losses in terms of time spent including pedestrians. An additional 150 million yuan are used as maintenance fees for junction guards and wages for workers at the junctions. A loss of 150 million yuan results from brakes and from acceleration of the engines on the highways. The total loss is 800 million yuan every year. With the continuous growth of the highway and railway traffic volume, this loss will grow increasingly.

To solve these problems, our methods include strengthening traffic control at the existing level-crossing junctions and improving safety facilities there. Of course, we should convert level-crossing junctions to grade separation. However, this will involve a large investment. Under the present circumstance when our country has limited investments in capital construction, it is impossible and unnecessary to change all the level crossings into grade

separations. Thus, we should focus on converting those highway-railway level crossings which involve a larger traffic volume, more traffic accidents and greater losses in transportation. We propose that the concerned sectors make priority arrangements in making investments in capital construction.

The present situation is excellent. Since the 3d Plenum of the 12th CPC Central Committee, we have launched the reform of the economic system with the city as the key. A new state of interchange, mutual promotion and harmonious development between the urban and rural areas will appear. The party and state have attached great importance to and shown great concern for highway traffic construction and have advanced new demands and directives, which have greatly inspired the broad masses of staff members and workers on the highway traffic front. As long as we seize the opportune moments, try hard to catch up, and emphasize firmly and well the technological transformation of existing highways as well as the building of new highways, we will definitely change rapidly the backward outlook of our country's highways and render due contributions to our country's socialist four modernizations.

9335

CSO: 4006/745

## TRANSPORTATION

### SEVENTH 5-YEAR PLAN FOR HIGHWAY TRANSPORT SECTOR REPORTED

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 25 May 85 p 1

[Text] The Ministry of Communications and the Technological and Economic Research Center of the State Council convened a Symposium on the Strategies for the Development of Highway and Motor Vehicle Transportation at Wuxi on 9 May. The specialists who attended the symposium put forth ideas for our country's highway transportation during the Seventh 5-Year Plan period and by the year 2000.

The program put forth by the specialists indicates that by the year 2000, the highway freight volume throughout the country will total 14 billion tons, the freight turnover will be 750 billion tons/km, passenger volume will be 29 billion people and the passenger turnover will be 890 billion people/km. The scale of this program is: the highway service mileage will total 1.35 million km. Of this, expressways will constitute 1,600 km, class I highways will constitute 13,000 km, class II highways will constitute 100,000 to 110,000 km, and high-class and secondary class road surface will constitute 400,000 km or more.

To realize this strategic goal, the specialists maintained that: The Seventh 5-Year Plan period is a crucial period for highway construction; we must have a large-scale takeoff. By 1990 highway mileage should reach 1 million km. Of this, expressways and class I highways should total 2,000 km, class II highways and above should total 40,000 km, and class III highways should total 200,000 km.

The specialists also proposed that with respect to motor vehicle transportation, we should include in the Seventh 5-Year Plan the "foreign trade harbor-dredging highway transportation system," the "intercity express and direct transportation system," the "highway passenger transportation system within a transportation distance of 200 to 300 km," and the "communications system specially used in highway transportation." We should also build 18 international containerized transit stations of differing scales and 55 class I passenger stations in the key open cities and provincial capitals, as well as complementary facilities such as loading and unloading cranes, warehouses and freight yards, management systems and motor vehicle forecast systems.

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CSO: 4006/831

TRANSPORTATION

HAN SHUI INLAND WATERWAY PROJECT REPORTED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 10 Jun 85 p 6

[Article by Xu Peijun [1776 0160 0689] and Lu Mingli [7120 2494 7787]:  
"Harnessing Project of the Han Shui--The Chang Jiang's Major Tributary--Will  
Be Included in the State Plan"]

[Text] The development and harnessing of the Han Shui, one of the four largest inland rivers in China, will be included in the Seventh 5-Year Plan. This will be the largest inland waterway harnessing project in our country. Allegedly, the Federal Republic of Germany, the United States, Japan and Canada are extremely interested in this project and have expressed their willingness to cooperate with China.

The Han Shui is the largest tributary of the Chang Jiang and is the major water transportation line in Hubei Province and in the southern part of Shaanxi Province. Industry and agriculture are highly developed in the river valley. Inside Hubei Province alone, the gross value of industrial output [GVIO] in 1983 was 20.8 billion yuan, 67 percent of the GVIO of the whole province. Of this, such enterprises as the Wuhan Iron and Steel Company and the No 2 Automobile Plant occupy decisive positions nationally. Inside the Han Shui valley, there is also an abundance of mineral resources. In addition, the upper reaches of the Han Shui are linked with the coal-producing areas of Shaanxi, Shanxi and western Henan, while the lower reaches are linked with the industrially-advanced but coal-poor provinces along the Chang Jiang. It also intersects the Jiaozuo-Zhicheng, Beijing-Guangzhou, Xiangfan-Chongqing and Hankou-Danjiangkou railroads. It is an important transit line for the transportation of coal from the north to the south.

Currently, the increasingly developed economy has made higher and higher demands on communications and transportation. Every year, more and more goods and materials must be transported on the Han Shui. However, the present transportation capability of the Han Shui is far from meeting the needs of modern shipping. The Han Shui has already become the center for the economic development of the river valley. For instance, the Wuhan Iron and Steel Company and the East China region must load and transport 2 million tons of coal via the Han Shui every year. Due to the poor harbor conditions along the waterway, the Han Shui is unable to shoulder the transportation task, and motor vehicles must be relied on to do the hauling. The No 2 Automobile Plant produces 60,000 automobiles annually. However, the Han Shui does not have the

compatible transportation factors for the above. Most of the automobiles must be driven to the location of sales. It is estimated that the freight volume of the Han Shui by the year 1990 will reach 12 million tons plus 100,000 automobiles produced by the No 2 Automobile Plant. By the year 2000, the freight volume will reach 20 million tons plus 300,000 automobiles. At the same time, as an important path for the transportation of coal from the north to the south and from the west to the east, the coal transportation volume of the Han Shui will increase on a progressive scale every year. It is estimated that, by the year 1990, 40 million tons of coal will be transported to Hubei, Hunan and Jiangxi provinces alone. By the year 2000, the volume will be increased to 60 million tons. The volume of coal transported into the provinces and municipalities along the middle and lower reaches of the Chang Jiang will also increase drastically in the next 15 years. Currently, the saturated railway system cannot meet transportation needs. We must tap the potential of the Han Shui and promote comprehensive water-land transport.

The Han Shui is equivalent to 10 railway lines. Currently, it has not played the role of even one railway line. Although its natural factors resemble those of the Rhine River, its annual transportation volume is only 1/28th that of the Rhine. Prior to the 1950's, the Han Shui ran smoothly for some 1,300 km. Ships could sail directly from northwest Hubei, Shaanxi and southern Henan to Xiangfan and Wuhan, linking up with the Chang Jiang. In those days, the freight volume of the Han Shui constituted 90 percent of the gross water and land freight volume. Now, it has dropped to 27 percent. A major reason is the longstanding failure to harness the Han Shui, which has basically remained a natural waterway. The daily accumulation of sediment has affected the passage ability. Harbor facilities likewise are backward.

The state has attached great importance to harnessing the Han Shui waterway and has designated it as an important inland waterway construction project. In 1984, on his visit to the Federal Republic of Germany, vice premier Li Peng inspected the Rhine River and proposed that the Ministry of Communications of that country cooperate with our country in carrying out the waterway development project to harness the Han Shui. In October of the same year, Chancellor Kohl visited China and signed a letter of intent on cooperation in developing the Han Shui waterway. In November, the German side dispatched a delegation of five specialists to carry out inspection of the Han Shui. A feasibility discussion on harnessing the Han Shui will be held in June this year.

As we understand, the harnessed Han Shui waterway will be raised from class IV now to class III and the passage capacity from 100 tons to 1,000 tons. With the expansion of the complementary Yujiahu Port project in Xiangfan, the annual loading and unloading capacity will increase from some 300,000 tons to 10 million tons. This will alleviate communications and transportation shortages in the Han Shui river valley and will produce a major effect on the development of the economy of the river valley and the economy of the middle and lower reaches of the Chang Jiang. Another result will be the accumulated experience for the harnessing of other inland waterways in the future.

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CSO: 4006/832

## TRANSPORTATION

### GOLDEN AGE OF CHINA'S HIGHWAY TRANSPORTATION REPORTED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 10 Jun 85 p 7

[Article by Shao Qiong [6730 8825]: "China's Golden Age of Highway Transportation Has Arrived"]

[Text] As indicated in the materials provided by the "Symposium on Strategies for Developing Highways and Motor Vehicle Transportation" held in Wuxi in May: With the development of the urban and rural commodity economy, the demand for highway transportation has become increasingly urgent. The golden age of our country's highway transportation has arrived. In 1984, the third road-building upsurge throughout the country took place since the nation's founding. "To become wealthy, we must first build roads." In addition to the transformation and building of higher-grade trunk highways in some economically-developed regions, this year 14,000 km of new highways have been built and 29,000 km of highways have been transformed and widened. The highway service mileage throughout the country has totaled 940,000 km, nearly 12 times that of the early days of the Liberation. Motor vehicle service operates in 93 percent of the townships and 64 percent of the villages. Some "poor and remote villages" of the past which were inaccessible by traffic were unable to break through the confinement of the natural economy. After highways have been built, the situation has greatly improved.

Many specialists attending the symposium conducted detailed investigation on the history and status of our country's communications and transportation. They maintained that in the last several decades, railroad transportation was the key in China. This was inevitable because our country's economy started out with an industrial structure based upon heavy industry. Railroad transportation had played an extremely important role in any vast economic power. In the United States and the Soviet Union, railroad transportation still occupies a significant position in the overall communications and transportation picture. However, the communications and transportation structure must adapt to the changes of the industrial structure and product structure. In recent years, the trend of change of China's product structure has been from heavy to light, from elementary to advanced, and from single to diverse. This requires a light, flexible and diverse communications and transportation structure with highway transportation as the key.

Currently, the "bottlenecks" in the development of the economy in our country are energy and communications. The problem of energy is essentially a problem of communications. It was reported that last year we were unable to transport 30 million tons of coal out of southeast Shanxi. Highway incompatibility should be a major reason. The highway from Taiyuan in Shanxi to Luoyang in Henan was originally designed with a daily motor vehicle service volume of 1,500 to 2,000 motor vehicles. Currently, the actual service volume has reached 8,000 to 9,000 vehicles. Some sections are constantly filled with motor vehicles which are unable to move. Without solving the problem of communications, we will not be able to solve the problem of energy.

Concerned personnel at home and abroad have begun to attach great importance to the problem of developing highway transportation in our country. It is estimated that, by the end of this century, we will definitely be able to realize our strategic goal of development by quadrupling our output value. By that time, freight volume alone will be more than four times that of 1980, while the turnover will be more than six times that of 1980. Concerned specialists in development strategies at home and abroad, including the World Bank, are trying to determine an appropriate scale of development at this point in China's highway transportation that will adapt to the abovementioned large-scale growth. The belief is that the average annual growth rate of the highway transportation volume must be higher than the average annual growth rate required to quadruple the output value (which is 7.2 percent) in order to avoid delays.

On the question of the overall plan for highway construction, the specialists attending the symposium offered many valuable ideas. They maintained that the basis for highway construction should be traffic volume and not administrative division. The economically-advanced regions should be the "terminals." The economic centers, large and small, should radiate outward, and the coast should radiate to the hinterland. They maintained that the former single highway networks radiating outward from individual provincial capitals lacked an organic link and failed to adapt to the needs of the development of a commodity economy.

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CSO: 4006/832

## TRANSPORTATION

### PRESENT STATUS OF CHINA'S RAILWAYS REPORTED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 10 Jun 85 p 7

[Article: "The Status Of Our Country's Railways"]

[Text] Low Operation Mileage: Currently, there are 1.3 million km of railways in the whole world. China's operating railways total 52,000 km, 4 percent of the world total. Our country has only an average of 0.5 km of railway for every 10,000 people and for every 100 square km, and ranks 102d and 68th respectively among the 109 countries and regions in the world which have railways. In China, every person rides a train on the average of once a year for a distance of only 170 km, whereas it is 70 times in Japan. This is less frequent even than the average number of times a person rides an airplane in the United States each year. Our train stations and passenger trains are the most crowded in the world. Currently, more than 100,000 requests for trains are made every day but only 60,000 to 70,000 are honored. Due to inadequate transportation and a corresponding lack of coal energy resources, 20 to 30 percent of the industrial production capacity of North China and East China fails to be brought into play.

Slow Rate of Construction: In the 35 years since the nation's founding, our country has built 30,000 km of railways, with an average of less than 900 km every year. China delivers just 2.4 km of railways for operation every day. By comparison, the United States had constructed 400,000 km of railways by the end of the 19th century, the highest record being the building of 19,200 km in 1 year.

Uneven Layout of Railway Network: China's railway network distribution is in the east. Ninety-five percent of our railways are distributed east of Kunming, Chengdu and Lanzhou. While the west constitutes half the nation's territory, it only has 3 of some 170 railways throughout the country.

Old Transportation Facilities: The existing railway technological facilities are still backward. In railway hauling, steam locomotives constitute 80 percent while internal-combustion engines and electric locomotives constitute only 18 percent and 2 percent, respectively. Mechanized loading and unloading and railway maintenance only constitute 30 percent. Our railways require 175 railway maintenance workers for every 100 km, while the United States requires only 13 workers.

High Construction Costs: Construction costs for China's railways are becoming higher and higher. During the First 5-Year Plan period, cost per km was 573,000 yuan; during the Second 5-Year Plan period, it was 461,000 yuan; during the Third 5-Year Plan period, it was 1,734,000 yuan; by the Fifth 5-Year Plan period, the cost per km was 2,474,000 yuan. The entire length of the Chengdu-Kunming line is over 1,000 km. The total investment is 3 billion yuan, with an average cost per km of 3 million yuan.

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CSO: 4006/832

## TRANSPORTATION

### ANHUI TO BUILD FIRST LOCAL RAILWAY LINE

Hefei ANHUI RIBAO in Chinese 22 Jun 85 p 1

[Article by Ma Biling [7456 1084 3781]: "Anhui Will Build Its First Local Railway Line--The Fuyang Section of the Luohe-Fuyang Line"]

[Text] Recently, this reporter learned from the provincial planning committee that Anhui is going to build its first local railway line--the Fuyang section of the Luohe-Fuyang Line.

The Luohe-Fuyang Line begins in the west at the Luohe Station of the Beijing-Guangzhou Line, in Henan. It passes through Zhoukou, Hancheng and Shenqiu as well as Jieshou and Taihe counties in our province to reach Fuyang County in Anhui in the east. The entire length is 207 km. The Fuyang local railway, the entire length of which is 69 km, is a portion of the Luohe-Fuyang Line. The Luohe-Fuyang Line will be constructed according to class II criteria. The initial transportation volume will be 5 million tons. Upon completion, this railway will become the liaison line for the Beijing-Guangzhou Line and the Beijing-Shanghai Line. It will form an east-west passage from the Central Plains and the Northwest to East China. It not only will reduce transportation pressures on the Beijing-Guangzhou, Beijing-Shanghai and Lianyungang-Lanzhou trunk lines, but will also be a shortcut for transporting coal eastward from Henan and Shanxi. It will be of significant economic value.

The provincial party committee and the provincial people's government have attached great importance to the construction of the Fuyang section of the Luohe-Fuyang Line. Provincial governor Wang Yuzhao [3769 6735 2507] pointed out that we must step up the preparatory work for the early phase of this project, which will provide experience for future construction of local railways in Anhui.

The Anhui provincial headquarters for the construction of the Fuyang local railway has been set up. In addition, the provincial communications office has set up a special organ responsible for organizing and coordinating construction of the Fuyang section of the Luohe-Fuyang Line inside Anhui. The Fourth Bureau of Railway Construction will be entrusted with the responsibility for constructing the lower portion of the 69-km-long Fuyang

section inside this province. The building of the upper portion and large and medium-sized bridges will be carried out by the professional construction team organized by Henan Province. Currently, the survey and design of the Luohe-Fuyang Line have begun. Completion is expected by the end of the year.

9335

CS0: 4006/832

## TRANSPORTATION

### BRIEFS

**HARBIN-MUDANJIANG TRIAL FLIGHT**--The trial flight on the civil air route between Harbin and Mudanjiang using an An-24 plane has been successful. The plane safely returned to Harbin on 2 August. This plane on the trial flight took off from the Harbin International Civil Aviation Airport at 0900 on 1 August and landed at the Mudanjiang Hailang Airport. This air route covers a total length of 290 km with a flight time of approximately 50 minutes. Participating in the trial flight were leaders of the Shenyang branch of the Civil Aviation Administration of China and the provincial Civil Aviation Bureau as well as responsible comrades of departments concerned. A responsible person of the aviation section under the provincial Civil Aviation Bureau said to a reporter that this trial flight was successful and basically fulfilled the conditions for opening this air route. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 3 Aug 85 p 1]

**XIZANG HIGHWAY NETWORK**--Lhasa, 19 Aug (XINHUA)--At present, except for 1 county and 81 districts, buses run from Lhasa to all counties and districts in Xizang Autonomous Region. A highway communications network has taken shape on the Xizang Plateau with Lhasa as its center. At present, Xizang has 15 main highways and 315 feeder highways. The total length of Xizang's highways open to traffic reaches 21,500 km. In addition, the Sichuan-Xizang, Qinghai-Xizang, Xinjiang-Xizang, and Yunnan-Xizang highways have strengthened Xizang's ties with the interior. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0221 GMT 19 Aug 85 OW]

**HEILONGJIANG RAILWAY LINES**--Harbin City, Heilongjiang, has successfully made use of idle railway lines reserved for exclusive use by certain enterprises in the city. These railway lines, 60 percent of which laid idle in 1983, served over 21,000 freight train cars from January 1984 through June 1985, handling 25 percent of the freight of the city's railway stations. In the past 2 years, over 34,000 freight cars have been used on these lines. [Beijing XINHUA Domestic Service in Chinese 0814 GMT 31 Jul 85 OW]

**LIAONING HONG KONG STEAMSHIP LINE**--A maiden voyage ceremony for the Dalian-Hong Kong regular foodstuffs steamship service was held in Dalian, Liaoning Province, on 4 July. The carrying capacity of the steamship is 7,330 tons. Every 20 days the steamship travels between Dalian and Hong Kong. [Text] [Shenyang LIAONING RIBAO in Chinese 5 Jul 85 p 1 SK]

## CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

### ANALYSIS OF SINGAPORE'S EXPERIENCE IN FOREIGN CAPITAL USE

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 6, 27 Jun 85 pp 25-27

[Article by Pang Rongqian [1690 2837 6197]: "Singapore's Success in Using Foreign Capital To Develop Export"]

[Text] Foreign capital has played a key role in Singapore's economic development. Singapore has used foreign capital so successfully because it has combined it with the development of export. In the process both export trade and the economy as a whole have benefited. It can be said that the use of foreign capital and export development are the two wings of Singapore's economic take-off.

Singapore's use of foreign capital primarily takes the form of attracting foreign investments in export-oriented manufacturing industries. Up to 1983, foreign investments in Singapore's manufacturing industry totalled 11 billion Singapore dollars (about \$5.2 billion). The strategy of using foreign capital to expand export was dictated by the country's concrete conditions: small size, small population, lack of resources, a limited domestic market. Under these circumstances, "import substitution" did not have much of a future, and the only way to achieve an economic breakthrough was to gear up to the world market and develop an "export-oriented" economy. At the same time, this strategy was well adapted to changes in the international economic situation. From the 1960's through 1970's, Western industrialized nations underwent changes in their industrial structure and relocated their labor-intensive industries overseas one after another. Taking advantage of the opportunity thus offered, Singapore and other developing nations successively developed textiles, electronics, shipbuilding, oil refining, machine building, chemical and other manufacturing industries. Those were also the years when the economies of industrialized nations in the West made the transition from postwar recovery to expansion and could absorb a steadily rising amount of imports. This too created an opportunity for manufacturing industries in countries such as Singapore.

By attracting multinational companies to locate new plants there or entering into joint ventures with local companies, Singapore succeeded in establishing and developing an export-oriented manufacturing sector, and foreign enterprises became the driving force behind the export of manufactured products. Exports by foreign enterprises or enterprises with a majority of

foreign capital account for 85 percent of total manufactured products exported by Singapore. The so-called "export-oriented" economy refers to one in which low-cost domestic labor is combined with foreign capital and technology to assemble or process imported raw materials, components, spare parts and semi-finished products. The final products are exported. Since export industries cater to the global market and their products must be internationally competitive, there are also stringent requirements concerning product quality and management standards. Only by relying on foreign capital, technology, and marketing and sales channels has Singapore been able to overcome the capital, technical and marketing problems of its export industries. Over the past 20 years, Singapore has had marked success in using foreign capital to expand exports, which rose from 3.477 billion Singapore dollars in 1960 to 46.155 billion Singapore dollars in 1983. Booming exports have also fuelled overall economic growth. From 1959 to 1983, Singapore's gross national product expanded at an average annual rate of 8.9 percent, an uncommonly high rate in the world. Although Singapore attracted foreign capital on an extensive scale, it soon developed a capacity to earn foreign exchange, which, in turn, has boosted export trade and the entire economy.

#### A. Primary Means of Attracting and Using Foreign Capital

Singapore has adopted the following measures to attract foreign capital and steer it towards those industries and sectors most likely to benefit from export expansion:

1. Strict laws and regulations: Foreign capitalists, who consider capital their lifeblood, do not casually make an investment without some certainty of making a profit. And nothing is better calculated to set their minds at ease than formulating strict and clear laws and detailed regulations for implementation. Singapore's foreign investment legislation consists mainly of the "New Industry (Income Tax Exemption) Law" and the "Industrial Expansion (Income Tax Exemption) Law" of 1959 and the "Economic Expansion and Development (Income Tax Exemption) Act" of 1967, which was based on a revision of the two older laws. To keep up with changing circumstances, the act was itself subsequently amended twice, in 1970 and 1975. Of course, this legislation is applicable to domestic as well as foreign capital; they are equal before the law. Since they have laws to follow, foreign investors have been very keen to invest in Singapore.

Singapore's legislation goes out of its way to encourage export industries. The "Economic Expansion Act" of 1967, for instance, offers tax reduction to an enterprise which exports 20 percent or more of its total sales or whose export value exceeds 100,000 Singapore dollars, and sets a maximum period of 15 years during which it will be entitled to preferential treatment. It exempts from import duties all raw materials, machinery and equipment required for the production of exports. Revising that act in 1970 and again in 1975, the legislators were anxious to encourage capital- and technology-intensive industries to strengthen their export competitiveness.

2. Priority on infrastructural development: Since the 1960's, the Singapore government has been setting aside huge sums of money to build or expand port

facilities and wharves, improve transportation, develop public utilities such as water, electricity and communications, and set up the famous Jurong industrial zone. During the 1970's, the infrastructure was further strengthened. Equipped with Asia's largest container terminal, the Singapore port is the second largest in the world today in terms of loading and unloading capacity. After its second runway was formally opened for use in 1984, Zhangyi Airport can now handle the takeoffs and landings of 66 airliners per hour. Direct-dial telephone services exist between Singapore and 116 other cities in the world, and it takes only 6 seconds to put through an international call. A subway is also under construction. It can be said that when it comes to infrastructural development, Singapore has spared no pains. With their needs catered to, foreigners are of course willing to invest in the country.

3. Development of expertise: Singapore has always emphasized training expertise and investing in education, believing that a low-cost but relatively skilled labor force is indispensable to improving productivity and increasing product competitiveness as well as being an important factor in attracting foreign capital. Its approach is combining regular education with technical education. With regard to the former, the government has increased funding and expanded school enrollments. With regard to the latter, it has offered diverse forms of technical training through a variety of mechanisms, paying particular attention to the training of technical personnel and workers in enterprises funded by foreign capital. Government regulations provide that all enterprises must raise a certain amount of "technical funds" to make training generally available to their workers so that they can learn production technology. In cooperation with foreign governments and multinationals, the Singapore government has set up training centers with an emphasis on the training of technical personnel. In addition, multinationals select and send employees to their parent companies overseas for training. Also, as enterprises financed by foreign capital by and large are more technically advanced than their domestic counterparts, their managerial and technical personnel and workers in general have been able to learn much which is useful from their day-to-day work.

4. Work efficiency: It takes more than sound legislation to attract and make good use of foreign capital. Also very important to foreign industrialists, to whom "time is money," are organizations and personnel who enforce the law strictly and efficiently. Singapore has built up a corps of highly competent administrative and managerial workers and a host of supervisory and watchdog agencies. Both workers and agencies have clearly defined jurisdictions and are relatively free from corruption. The Singapore Economic Development Bureau, a unit of the Ministry of Trade and Industry in charge of foreign investments, is staffed mostly by bright and capable officials with a definite level of professional expertise. In examining and approving proposed investment projects, officials are equipped both to determine whether they meet the nation's economic development needs, in light of Singapore's laws and policies, and to assess whether the technology involved is state-of-the-art and practical. They decide whether or not to approve a particular project very promptly and process the paperwork within the shortest time possible. It usually takes just 10 to 20 days for them to process a proposal from application to approval.

## B. Focusing Attention on Attracting Advanced Technology and Management

While the use of foreign capital to develop export industries was certainly prompted by a lack of sufficient domestic funds, even more important is that foreign capital has been instrumental in improving the country's technical and managerial standards and upgrading product quality and export competitiveness. Particularly after the mid-1970's, having attained a certain level of economic sophistication, Singapore sharply shifted its thrust in foreign investments to attracting advanced technology so as to gain access to high tech, business and managerial expertise and global marketing information indispensable to industrialization but unavailable at home. It has, therefore, concentrated on attracting multinationals to invest in Singapore. In the process, not only has Singapore acquired the advanced technology of those companies, but it has also trained a full range of experts through training centers jointly organized with the multinationals. Through joint ventures, moreover, Singapore has helped its managerial personnel acquire advanced business managerial knowledge and marketing techniques.

In 1979, Singapore called for a "second industrial revolution" to promote mechanization, automation and computerization in all industrial sectors and further shift its focus to industrial production which is technology-intensive and has a higher added value. Its objective is to stimulate product succession to mitigate the negative impact of trade protectionism in the West, on the one hand, and steer clear of competition from other low-cost developing countries, on the other. In practice, this objective translates into a preference for foreign enterprises which bring high tech to the nation.

To sum up, Singapore's use of foreign capital to develop export is predicated on its practical situation. Although our circumstances differ from Singapore's, we are also faced with the questions of how to use foreign capital, how to increase export to earn foreign exchange, and how to combine foreign investments with export development. Therefore, we will do well to study Singapore's approach and learn a lesson or two.

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CSO: 4006/811

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

CSSR EXPANDS LABOR EXPORT, SIGNS MORE CONTRACTS

OW210240 Beijing XINHUA in English 0233 GMT 21 Aug 85

[Text] Prague, 20 Aug (XINHUA)--The Czechoslovak building industry has for the past two decades signed contracts with and expanded labor export to more than 30 countries in Europe, Africa, Asia and South and Central America.

Since early 1980's, press here reported, Czechoslovakia has focused its labor export on countries in North Africa and the Middle East where the world labor market thrives.

It has contracted with Egypt for two bridges on the Nile and with Libya for 1,200 apartments and over 800 kilometers of highway.

Building companies of Czechoslovakia also went to Iraq and built oil refineries, agricultural projects and an expressway from Baghdad to Mosul.

At present, more than 40 Czechoslovak building enterprises are involved in the construction abroad of industrial and agricultural projects, as well as highways, bridges, commercial centers, hotels and sports and cultural installations. This country pays attention to combining the labor export with its export of complete sets of industrial equipment.

Czechoslovakia also cooperates with other countries in undertaking projects in third countries. A contract was signed here this May between a Chinese metallurgical building company and a Czechoslovak technological import-export company for joint construction of projects in Iraq.

CSO: 4020/341

TAIWAN

# BOFT ON EFFECTS OF U.S. SHOE, TEXTILE QUOTA

OW191321 Taipei CNA in English 0948 GMT 19 Aug 85

[Text] Taipei, Aug 19 (CNA)--The Republic of China [ROC] will lose up to U.S. dollar 1.2 billion annually in its non-rubber shoes and textile exports to the United States if the American government adopts trade protective measures, the Board of Foreign Trade (BOFT) said Monday.

Officials of BOFT said President Reagan is expected to make a final decision on whether to impose a 20 percent imports tariff on non-rubber shoes before the end of August.

In a June session, the American International Trade Council (ITC) resolved to impose an import quota on non-rubber shoes. The drastic measure was vetoed by the Economic Policy Council (EPC) of the U.S. government.

Anyhow, EPC requested President Reagan to make a choice between a 20 percent import tariff on non-rubber shoes or no relief to the American shoe industry.

According to reports from the United States, President Reagan is likely to favor the import tariff measure.

Officials of BOFT said a second public hearing on further textile import curbs will be held on September 12 and 26 in the United States to be followed by the debates at the U.S. Congress whether such a measure will be introduced.

Should the bill be passed at the U.S. Congress, the United States will reduce the present textile import quota to the 1981 level, trimming it down by some 27 percent.

The Republic of China, as a major textiles supplier to the United States, will suffer a cutback of 48 percent of its textile exports to the U.S., BOFT officials said.

As ROC's textile exports to the U.S. were worth U.S. dollar 2.26 billion last year, the cut in textile quota will mean a loss of U.S. dollar 1 billion to the ROC in textile exports to the United States, he noted.

Meanwhile, local shoe and textile trade leaders have called on manufacturers to take precautionary measures in anticipation of the American trade protective measures.

Chen Chin-sheng, chairman of the Taiwan Shoe Manufacturing Association, called on members of his association to direct their attention to the production of high-priced shoes.

He said that only through developing better quality products can Taiwan-made shoes compete with European shoes in the American market.

Chao Liang-kung, vice chairman of Textile Exports Promotion Council, said setting up a textile quota by the American government is a foregone conclusion.

What the local textile manufacturers should do now, Chao said, is to change their emphasis on "quantity" to "quality."

He said Japanese textile manufacturers do not encounter the same pressure "we are feeling now as they export in smaller quantity but in higher quality."

CSO: 4020/336

TAIWAN

ECONOMICS OFFICIAL ON RESEARCH, DEVELOPMENT AID

OW191317 Taipei CNA in English 0941 GMT 19 Aug 85

[Text] Taipei, Aug 19 (CNA)--The Ministry of Economic Affairs will earmark U.S. dollar 100 million for 22 science and technology research and development projects in fiscal 1987, an official of the ministry said.

Economics Minister Lee Ta-hai Sunday summoned a meeting of officials from the government agencies concerned to discuss details and financing of these R and D projects, he added.

During the discussion session, some delegates held the opinion that the industrial technology research organizations now have the ability to map out designs and, therefore, should take part in production.

Participants agreed upon five research and development projects for fiscal 1987 beginning next July 1.

The five projects include very large scale integrated circuit (VLSIC) technology development program, chemical industry key technology development program, measurement equipment inspection program, research and promotion program for design and manufacture of computer components, and development and promotion of a computer design and manufacture center in Taichung.

It was also decided at the meeting that the Ministry of Economic Affairs will set aside U.S. dollar 18.75 million for the construction of a very large scale integrated circuit manufacturing plant in Taiwan.

Minister Lee told the gathering attendants that government revenues have been reduced, and his ministry is unable to give full financial support for the R and D projects of the industrial technology research institute.

He said that the institute should try to set up its own self-support system by offering its service to the public.

The minister noted that during fiscal 1984 and 1986, his ministry spent U.S. dollar 43 million to finance the VLSIC research program.

Meanwhile, Ku Chia-heng, science and technology chief advisor of the Ministry of Economic Affairs, pointed out time is ripe for the establishment of a VLSIC manufacturing plant on this island.

TAIWAN

BRIEFS

ECONOMIC PERFORMANCE REVIEWED--Taipei, Aug 18 (CNA)--Although there have been signs of stagnancy in domestic economic activities since the beginning of the year, the Republic of China's [ROC] overall economic performance is still better than those of its neighboring countries and many advanced nations of the world, the Council for Economic Planning and Development said Friday. The council said the nation is facing some problems such as slowing down in economic growth, decreased exports, lowering of investment willingness and a lowering employment rate. But judging from the growth of gross national product, commodity prices, and trade surplus, the nation is outmatching the United States, Japan, West Germany, South Korea and Singapore, the council said. The council said that among the six nations, the ROC took the lead in GNP growth in the first quarter of this year. It also led other nations in export growth rate during the period, the council said. In terms of unemployment and domestic commodity prices, the ROC showed the lowest and most stable levels among the six, the council said. [Text] [Taipei CNA in English 1411 GMT 18 Aug 85 OW]

7-MONTH TRADE SURPLUS--Taipei, Aug 19 (CNA)--The Republic of China registered a US dollar 5.68 billion trade surplus with the United States in the first seven months this year, showing a declining trend for the first time in many years, a spokesman for the Board of Foreign Trade said Monday. Pan Chia-hseng, BOFT deputy director general, said the figure was slightly less than the US dollar 5.77 billion registered in the January-July period last year. The nation will continue its efforts to further improve the trade imbalance between the two countries. He said the trade imbalance was US dollar 2 billion in 1980, US dollar 3.4 billion in 1981, US dollar 4 billion in 1982, US dollar 6.6 billion in 1983, and US dollar 9.8 billion in 1984, increasing at an average annual rate of 50 percent. The slight decrease of the ROC surplus in the first seven months showed that the country has been successful in trying to narrow the imbalance by lowering its import tariffs, removing non-tariff trade barriers and protecting intellectual property rights, Pan said. Meanwhile, Pan said if the Reagan administration adopts new quota measures on textile and footwear products and a 25 percent import surtax as proposed by some congressmen, it would not only adversely affect its trade partners' economy but also its domestic consumers. [Text] [Taipei CNA in English 0250 GMT 20 Aug 85 OW]

HUGE INVESTMENT PROJECT APPROVED--Taipei, Aug 19 (CNA)--The Ministry of Economic Affairs endorsed one of the largest foreign investment projects over the years Monday by allowing the Du Pont Company of the United States to set up a

factory here. According to the ministry, the world's largest titanium dioxide producer plans to purchase equipment worth US dollar 80 million in the Republic of China. Although the site of the US dollar 160 million project is yet to be decided, the Du Pont Company will probably choose between two countries in central Taiwan, namely Taichung and Changhua. [Text] [Taipei CNA in English 0245 GMT 20 Aug 85 OW]

CSO: 4020/336

HONG KONG MEDIA ON CHINA

FUTURE OF OPEN DOOR POLICY VIEWED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 29, 22 Jul 85 p 25

[Excerpt] In June, when meeting friends from Algeria Deng Xiaoping said "The Shenzhen Special Economic Zone is an experiment. Whether this is the right road remains to be seen." This comment gave rise to much speculation and many different interpretations.

On 15 July, when meeting visiting Japanese, State Councillor Gu Mu said that the Chinese Government will give priority support to 4 of the 14 coastal cities--Shanghai, Tianjin, Dalian, and Guangzhou--which have better infrastructure. As soon as this announcement was made, those who had doubts about the open door policy thought that this meant the policy was in retreat. Some even suspected that the policy was being withdrawn.

Has China's open door policy really changed? Are the open cities really going to be cut back from 14 to 4? Let us look at the sequence of events to arrive at some answers.

As a result of the open door policy, China has utilized 16.7 billion dollars of foreign capital. The use of foreign capital has played a positive role in the import of advanced technology and equipment, the upgrading of old enterprises, and the increase in the volume of import and export trade. Last year the State Council made a decision to open 14 coastal cities, based on practical experience gained from the special economic zones and from work in other aspects of the open door. These cities attained relatively good results in foreign trade work, foreign capital use, and technology importation. In January of this year, China further decided to open up coastal economic zones to facilitate the development of the country in a pattern proceeding first from the coastal areas, then to the hinterland and first from a small area, then to a larger area. The momentum of the open door has been very good. These facts demonstrate that China has been consistently carrying out an open door policy. As China's leaders have pointed out, reform is China's second revolution, and the open door is one wing with which China will soar. The guiding ideology behind the current open door policy is "to continue opening up and not to withdraw." The open door is a long range, strategic policy that has been publicly declared. It is supported and steadfastly carried out by all of China's people. This trend is one which no force can reverse. Now, how can we change the open door just because we

have experienced a moment of difficulty or committed an error? Instead, one should say that China is not withdrawing but is even more steadfastly carrying out a basic national policy and will open up even more.

The open door is something new and unprecedented in the history of the People's Republic. We all lack experience in it and when we run into problems, we must speedily solve them. Thus running into some problems and unhealthy practices in the course of the open door is really of no great consequence. But we must pay attention to summing up our experiences. That is why the central government proposes simultaneously opening up and strengthening management; otherwise the anticipated results of the open door will be difficult to attain.

At present, China is taking effective measures to solve various problems that had arisen earlier, such as foreign exchange imbalance, overextension of credit, overbuilding of key construction projects, and lack of coordination among the above three. Some of these measures have already yielded preliminary results. The tightening of foreign exchange controls leads to reverberations of various kinds. We have taken note of them and will take appropriate steps to deal with them. We feel that giving priority support to the four coastal cities that have better infrastructure is one such effective measure.

There are many things China must do, but it must not proceed at great speed. In running open zones, we must "develop a little, build a little, and gain a little." With respect to the other ten open cities, we are only going to slow down the pace at which we sign contracts with foreigners, and we will resolutely honor contracts that have already been signed. We are by no means stopping everything; this measure is only temporary. We will quicken the pace at which we sign contracts with foreigners after we sum up the experiences of these cities, strengthen their leadership, and improve their investment environment. In this way the open door policy can develop in an even healthier and steadier way.

CSO: 4006/842

HONG KONG MEDIA ON CHINA

BACKWARD, FORWARD LOOK AT GUANGDONG'S OPEN DOOR WORK

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 27, 8 Jul 85 pp 18-20

[Article by Liang Linguang [2733 7227 0342], Governor of Guangdong Province: "Guangdong's Special Policy: Results of the Past Five Years and Conception of the Next Five"]

[Text] Beginning in 1979 the CPC Central Committee and the State Council decided to implement a special policy and flexible measures in Guangdong and Fujian in order to develop fully Guangdong's strengths, to accelerate the pace of economic construction and to gain experience in opening to the outside world. The characteristics of this policy were: 1) Implementing a policy of being more open to the outside, having a more enlivened domestic market and more authority at lower levels province-wide than in other provinces; 2) Establishing special economic zones [SEZ] in Shenzhen, Zhuhai and Shantou and implementing a similar policy on Hainan Island. Guangzhou and Zhanjiang were defined as open cities, and the three cities of Foshan, Jiangmen and Zhongshan, and Panyu and 13 counties were defined as the Zhu Jiang Delta economic open area.

Results of 5 Years Under the Special Policy

As a result of the joint implementation of the special policy, the open door policy and the policy of enlivening the domestic economy, from 1980-84 Guangdong's entire state economy was a picture of thriving prosperity. This mainly was seen in:

1. The pace of economic construction was accelerated. In 1984 the province's gross value of social output was 77.53 billion yuan, and the average 5-year growth rate was 11.8 percent. The gross value of industrial output was 53.55 billion yuan, for an average 5-year growth rate of 11.4 percent. Both figures were higher than the national average growth rate for the same periods.

2. Markets flourished and prices of goods tended to be stable. Urban and rural markets were active and commodities were more abundant each day. In 1984 the province's social commodity retail sales figure was 27.33 billion yuan, a 1.6-fold increase in 5 years, or an average annual growth rate of 21 percent. In the same period Guangdong's retail price index was only 1.2 percent higher than in 1983.

3. Various methods were used to attract foreign funds, and foreign economic trade developed rapidly. Through the end of 1984, Guangdong signed 50,000 contracts of various kinds to utilize foreign funds (90 percent of which were foreign processing and assembly projects.) These contracts stipulate that foreign businessmen will invest more than \$7 billion; \$1.9 billion has already been used. Economic and technical cooperation projects encompass all trades and industries. They have promoted economic construction and the investors have made profits. The foreign trade export figure is 1.4 times higher than before the opening, and international markets have been developed.

The tourism industry developed vigorously. Newly constructed and reconstructed hotels and inns utilizing foreign funds over the past 5 years have meant a better than 9-fold increase in the number of beds for foreign tourists. Tourist facilities have begun to take shape and the quality of and attitude towards service have improved. In 1984 more than 11.98 million people passed through Guangdong.

4. Scientific and technological advances were promoted. In the past 5 years, technology, equipment and a group of elite breeding stock and seeds worth almost \$1 billion were introduced from abroad. A group of old enterprises has been transformed and scientific and technological exchanges have widely developed. Foreign processing and assembly projects are scattered throughout two-thirds of the counties and towns in Guangdong, employing almost 500,000 people who are gradually mastering advanced production skills.

5. The development and construction of the three SEZ's of Shenzhen, Zhuhai and Shantou plus the coastal open zones have been rapid. Shenzhen in particular got an early start, progressed quickly and saw large increases in industrial production and financial incomes. We have worked hard to implement the open door policy and to make the construction of socialist modernization function as a "window" to introduce technology, management skills and knowledge. This has attracted the attention of people at home and abroad.

6. People's lives have clearly improved. In 1984 Guangdong's average industrial wages increased 70.6 percent over 1979. Deducting factors related to the prices of goods, real wages still increased 36.4 percent. Peasants' average net income increased more than 90 percent over 1979, for an average annual growth rate of 13.8 percent (the annual growth rate was only 3.3 percent in the preceding 22 years.) In the past 5 years 2.54 million people found jobs. Urban and rural residents saved 3.8 times more than 5 years ago.

7. The construction of a spiritual culture has been strengthened. There have been rather large developments in education, culture and other undertakings. The people's ideological consciousness is continuously improving and there has been an obvious turn for the better in terms of the general social mood and public order.

8. The ranks of cadres have been tempered and improved. We have trained a group of management talent that is rather well versed in foreign economic trade and some advanced scientific management methods have been assimilated from abroad.

With reference to Guangdong's and Fujian's implementation of the special policies and flexible measures, the above situation proves that China's implementation of the policy to open to the outside world and to enliven the domestic economy has been entirely correct. The practical experience gained in the past 5 years is truly valuable. Guangdong has made a good foundation in taking a first step to open to the outside and to further develop foreign economic cooperation and exchange.

#### Prospects for Further Expanding Foreign Economic and Technological Cooperation

Prospects are good for Guangdong to expand further its foreign economic and technological cooperation because the province has good natural conditions and ample resources plus convenient communications and transportation systems. Seven of China's 22 open cities are located in Guangdong. The investment environment will be much better after several years of construction and good services can be provided in terms of communications, telecommunications, housing, goods available for purchase, etc.

In the future we will more actively expand economic cooperation and trade contacts with various countries and areas of the world. Our proposal is to implement the open door policy, to construct the three SEZs, the two open cities of Guangzhou and Zhanjiang, Hainan Island and the Zhu Jiang Delta economic open zone, which are the forward open sites, and truly turn them into windows that attract technology, management and knowledge, and to make them into advanced regions that are economically and culturally developed, have advanced science and technology and that take the lead in getting rich via expanded foreign economic and technological cooperation. These areas will thereby assist and spur on the mountainous and other areas to promote the entire province's economic development. Toward this end we have decided that from now until the Seventh 5-Year Plan (1986-1990) we must accelerate the reform of the economic system and the acceptance of foreign funds, advanced technology and talent, the construction of energy resources and communications facilities, the technological transformation of old enterprises, and economic alliances and cooperation between various areas and departments and the central government. We are confident that in 5 years or so we will attain ahead of time the strategic goal advanced by the 12th CPC National Congress of quadrupling the gross value of industrial and agricultural output and soon make the people of Guangdong be comparatively well-off.

Based on the demands of Guangdong's economic development, in the next 5 years our plan is to strengthen economic and technological cooperation with various countries and regions in the following areas:

1. We will accelerate the construction of energy resources and communications and telecommunications facilities. With reference to energy resources, we will make outstanding developments in electric power. Besides the nuclear power plant now under construction we also want to build a group of new large thermal power plants and medium- and small-size hydropower plants. Regarding communications and transportation, we will speed up construction of the Hengyang-Guangzhou and Guangzhou-Shenzhen multiple tracks and the Sanshui-Maoming railroads; build a Guangzhou-Shenzhen-Zhuhai-Foshan highway and repair some arterial highways; continue to expand the ports of Huangpu and Zhanjiang; build new deep water ports at Chiwan Bay in Shenzhen, Yangpu on Hainan Island and elsewhere; and develop inland river transportation and north-south and long distance transport. Regarding telecommunications, we will accelerate the transformation of telephone system and long distance facilities and gradually develop photoelectric telecommunications in various medium size cities. We will also expand some airports and test-run local civil airlines.

2. We will technologically transform industrial enterprises, with an emphasis on the light, textile, food, construction materials and mechanical industries. We will develop high quality food and beverages, packaging materials and containers, superior porcelain, polyester filaments, chemical fiber goods and woollens, new style construction material and light mechanical equipment.

3. We will energetically develop and exploit resources. As the South China Sea oil fields open we will correspondingly develop crude oil processing and the petrochemical and natural gas industries. We will set up several rear-supply bases for South China Sea petroleum and a northern Fujian nonferrous metals base centered around lead and zinc. We will expand the united steel industries in Guangzhou and Shaoguan.

4. We will develop burgeoning industries in a prioritized way, mainly the electronics, microcomputer, meter and instrument, bioengineering and precision chemical industries, and new and architectural ornamentation materials.

5. We will strengthen imports of advanced agricultural techniques, particularly breeding and cultivation techniques for tropical plants, elite agricultural crop seeds and animal husbandry breeds, sea and fresh water breeding techniques, and deep-sea fishing, techniques to process agricultural goods and preserve the freshness of fruits and vegetables.

6. We will continuously develop the tourism industry and urban construction. The stress is on developing the four popular tourist routes of Guangzhou-Shenzhen, -Zhongshan-Zhuhai, -Shaoguan and -Zhaoqing, and on opening new routes; accelerating the construction of the summer tourism base of Sanya on Hainan Island; continuously transforming hotels and restaurants and increasing tourism facilities. With reference to urban construction we will mainly develop public facilities, reconstruct and build new housing, increase cultural amenities and protect the environment.

We welcome foreign businessmen to engage in economic cooperation with us. We welcome large consortiums as well as medium- and small-size enterprises to invest in Guangdong. We will provide various conveniences to them and give preferential treatment according to policy.

#### Preferential Policies To Encourage Investment

With the approval of the Central Committee and the State Council, in the spring of 1985 Guangdong and Fujian provinces entered a new stage in continuing to implement the special policy and flexible measures. Any policy or measure that has proven effective in the past 5 years will be continued. At the same time we will add essential new components based on development trends and relevant directives of the Central Committee and the State Council. To avoid mistakes in our work we are firmly uniting the state's policies with Guangdong's experience and are guiding various cities and counties differently based on their situations.

Based on the state's regulations, Guangdong adopted policies to encourage foreign businessmen to invest in the province and to engage in economic and technical cooperation, including:

##### A. Preferential tax policies.

##### 1. Collection and reduction of income taxes.

The income tax rate on joint ventures using Chinese and foreign investment, cooperative ventures and foreign ventures of a productive nature will be levied at 15 percent in the SEZ's, Hainan Island and the Guangzhou and Zhanjiang economic and technical development zones. Taxes on the aforementioned ventures and projects located in the Zhu Jiang Delta Economic Development Zone will be reduced to 80 percent of the current rate. According to regulations, reasonable profits of foreign businessmen that are remitted abroad are exempt from income tax.

The aforementioned ventures that involve energy, communications, or ports, or are technology- or knowledge-intensive projects or projects of a productive nature with long term reinvestment in which the foreign businessmen invest more than \$30 million and that are located within the cities of Guangzhou, Zhanjiang, Zhuhai or Shantou or the Zhu Jiang Delta Economic Development Zone, can also be approved for a tax rate of 15 percent.

The state's tax law provides that a Chinese-foreign joint venture scheduled to operate for a period of 10 years or more is exempt from income tax in the first 2 profit-making years and levied a 50 percent reduction in the 3rd, 4th and 5th years. Chinese-foreign cooperative ventures and foreign ventures can be handled according to the actual situation prior to formulation of the new tax law.

With approval, joint ventures involved in such low profit operations as farming and forestry or located in remote, economically underdeveloped outlying areas may be allowed a 15 to 30 percent reduction in income tax for a period of 10 years following the expiration of the term for exemptions and reductions mentioned above.

2. Reductions and exemptions from customs duties on imports and exports and the consolidated industrial and commercial tax.

In accordance with the law, imported mechanical equipment and material and spare parts needed to build a plant (or farm) and to install it that are specified in the contract as investments for a Chinese-foreign joint or cooperative venture or foreign enterprise that is engaged in energy development; the capital construction of railroads, highways or ports; industry; farming; forestry; animal husbandry; breeding; deep-water fishing; scientific research and medicine or health; or construction materials and the related ancillary equipment for projects to build cooperative hotels--all are exempt from customs duties and the consolidated industrial and commercial tax.

In accordance with the law, exports produced in the aforementioned enterprises of a productive nature shall be exempt from the industrial portion of the consolidated tax. Goods approved for sale in China must be specially handled and can apply for a reduction of the consolidated industrial and commercial tax.

In accordance with the law, business communications tools, office goods and personal household effects and communications tools of foreign businessmen and technical personnel that are imported by approved Chinese-foreign joint ventures, cooperative ventures and foreign enterprises shall be exempt from customs duties and the consolidated industrial and commercial tax.

3. The original 20 percent income tax rate on fees for exclusive special technical permits and the interest income tax on foreign loans in the cities and urban areas of the SEZ's, the economic and technical development zones, Hainan Island and the Zhu Jiang Delta Economic Development Zone shall now be reduced to 10 percent. With approval, patented technology that is advanced and offered preferential conditions and low interest loans can be exempted from taxation.

4. The state is empowered to give preferential tax reductions and exemptions in different circumstances pertaining to the rates of property, land use or land use expense taxes.

B. Some goods allowed for sale in China.

In order to have a self-reliant foreign exchange balance, goods produced by Chinese-foreign joint ventures, cooperative ventures and foreign enterprises must be mainly or entirely sold abroad in normal circumstances. In order to attract foreign funds and accelerate the introduction of advanced

technology, we will adopt certain flexible measures and allow some goods to be sold in China. A larger proportion of technology- and knowledge-intensive goods can be sold in China. The major portion of goods that are very technologically advanced, particularly those in demand in China, can be sold there as well.

Chinese-foreign joint ventures, cooperative ventures and foreign enterprises that produce goods approved for domestic sale that really provide advanced technology and are of a superior quality will be offered conveniences in terms of sales methods and channels. Selling prices will be flexibly handled based on the principle of top prices for top quality. Preferential treatment will be provided for purchasing Chinese raw materials and fuels needed to produce these goods.

C. Foreign investment interests guaranteed.

China has consistently upheld the principle of equality and mutual benefit in attracting direct foreign investment. The reasonable rights of foreign industrial and commercial enterprises and legal persons as well as overseas Chinese and compatriots from Hong Kong and Macao who invest or engage in economic and technological cooperation in Guangdong are guaranteed by China's constitution and laws. Every level of the people's government and the concerned departments and enterprises engaged in foreign economic and technological cooperation emphasize respect for contracts and the maintenance of trust. Disputes arising in the course of enacting a contract shall be impartially handled by friendly arbitration based on the principle of equality and mutual benefit.

D. Investment methods freely chosen and enterprise management autonomy guaranteed.

Guangdong can be very flexible and diversified in its methods of attracting foreign funds. Investors have the choice of direct factory investment, a Chinese-foreign joint venture, a cooperative enterprise, processing of their materials, parts or designs, compensatory trade, leasing, or an entirely foreign-owned enterprise. Both sides should adhere to the principle of satisfaction and mutual benefit regardless of the method chosen. Chinese-foreign joint ventures can generally last 10 to 30 years. Some low-profit projects involving large investments and long cycles may last longer than 30 years.

Under the premise of respecting China's laws and regulations and the government's administrative rules, Chinese-foreign joint and cooperative ventures and foreign enterprises have the authority to freely manage their companies according to the mutual agreements and contracts signed. An enterprise's board of directors will independently decide management activities.

Chairman Deng Xiaoping has said that China's open door policy will not change in this century or in the first 50 years of the next and it will be difficult to change it in the following 50 years. This statement is entirely believable. China's support for the principle of equality and mutual benefit is also long-term and unalterable. In order to meet the needs of further opening to the outside world, the concerned departments in China and Guangdong are stressing the perfection of economic legislation based on this principle and policy. Some defects and mistakes still exist in our work because we lack experience. Nevertheless, we firmly uphold the idea of seeking truth from facts and are continuously summing up our experience and teachings. We are determined to improve and are working hard to preserve policy continuity and stability.

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CSO: 4006/810

HONG KONG MEDIA ON CHINA

BANK OF CHINA PERMITS UNITS TO ISSUE BONDS

Hong Kong TA KUNG PAO in Chinese 15 Jul 85 p 6

[Article: "Bank of China Permits Units in China To Issue Bonds for Raising Funds"]

[Text] According to He Zaizhi [6320 6528 0037], assistant general manager of the Hong Kong Branch of the Bank of China, the various units of the bank in China are not likely to begin issuing stocks in Hong Kong for raising funds in the near future in view of certain problems that remain to be solved.

This was recently revealed by He Zaizhi to some 20 members of a study and exchange group from Shanghai while discussing the operations of the Bank of China at the invitation of the Hong Kong Association of Management Professionals. He pointed out, however, that in view of the relatively low interest rate prevailing at the present time, advantage should be taken of the low interest rate and the length of maturity of bonds and that, in the long term, China should give consideration to the possibility of raising funds in the world market by issuing bonds.

He stated that the global downward trend of the interest rate and the reduction of loans extended by the banking institutions are factors favoring the issuance of bonds.

According to He, one problem that must be solved in the issuance of bonds is to convince investors of bond issuers' ability to make repayment. The units in China must, therefore, provide adequate proof to foreign investors of their ability to make repayment or even to persuade the provinces and cities to serve as guarantors.

He added that, although the central government has given no encouragement to the various units to raise funds by issuing bonds in the international market, it is in the offing; concerned parties should direct their attention to studying the ways and means for the issuance of bonds.

Issuing stocks as a means of raising funds is more difficult than issuing bonds. He Zaizhi pointed out that, for an organization to sell stocks in the Hong Kong market, it must be registered as a company in Hong Kong, set up an office and meet all the conditions required by law for the establishment of such a company. Furthermore, it is necessary to set up a second market to enable stockholders to buy and sell stocks freely.

HONG KONG MEDIA ON CHINA

RESIDENTS OPPOSE CONSTRUCTION OF WORLD'S LARGEST DAM

Hong Kong MING PAO in Chinese 23 Jul 85 p 3

[Article, "Local Residents Oppose Construction of World's Largest Dam at Sanxia"]

[Text] More and more people in Sichuan Province have voiced their opposition to the projected construction of the world's largest dam at Sanxia [Three Gorges] on the Chang Jiang.

According to a Chinese official, the construction of the dam would result in the total or partial submergence by flood water of eight cities and towns along the Chang Jiang and necessitate the resettling of 400,000 people.

Those opposed to the project claim that the construction of the dam would alter the ecological balance of the region and submerge a number of historical sites at Sanxia, a popular tourist attraction for Chinese and foreigners alike.

In order to increase the supply of electric power, the government is still planning to proceed with this momentous project and to use it to control seasonal flood waters.

According to this Chinese official who requested anonymity, those who are opposed to the project have expressed their dissent at a number of meetings throughout the province on the grounds that Sichuan is a prosperous industrial and agricultural province with a population of 100 million, or one-tenth of the nation's total.

The open discussion of such projects is extremely rare in China.

According to Chen Zhenyi [7115 2182 1355] (transliteration), a senior manager of the Chang Jiang Shipping Co in Chongqing, the main technical difficulty is how to overcome the problem posed by the accumulation of silt. The Chang Jiang has a high level of silt which will eventually rise to the level of the dam. The dredging and dumping of silt are problems not easily resolved.

According to Chen, two proposals have been put forward. One is to construct the dam to the height of 150 m and the other is to extend it to 180 m.

When the subject was brought up for discussion by the officials concerned, his shipping company made it known that it favored the construction of a 180-m dam to overcome the problem posed by the accumulation of silt.

He pointed out, however, that the construction of the dam may reduce the number of ships plying upstream and that the construction of a 180-m dam would raise the water level along the 440-km stretch of the river.

He added that the project has caused considerable concern among the local residents, who fear that it would add to the threat of earthquakes and mudslides, that raising the water level would upset the ecological balance, that the dam would add to the salinity of the soil and that it would make it impossible for fish to go upstream.

At least three cities and towns would be totally submerged. They are Badon in Hubei with a population of 100,000, and neighboring Fengjie and Wushan, each with a population of 300,000. According to Chen, a new city has been built in the vicinity for Badong's residents.

According to the official ZHONGGUO RIBAO published in Beijing last month, the scientific study of the project and preparatory work for the construction of the dam are being accelerated.

According to this paper, the dam, capable of generating 13,000 mega-watts of electric power and 64.6 billion kwh per year, should put an end to the history of floods along the Chang Jiang.

A Sichuan official pointed out, however, that there is no way to control floods above the dam and that floods and mudslides in Sichuan and neighboring Guizhou in the early part of the month had caused 275 deaths and damaged thousands of houses.

Gezhouba at the lower reaches of Sanxia already has a dam situated 330 km west of Wuhan on the Chang Jiang, the longest river in China. Upon its scheduled completion in 1988, the Gezhouba hydroelectric power plant will have the capacity of generating 2,715 mega-watts. However, the dam at Sanxia is 5 times larger than the one at Gezhouba and larger than the Itaipu Dam in Brazil, currently the largest dam in the world with a capacity of 12,600 mega-watts.

Zhang Chong [1728 0394], spokesman for the Sichuan Travel Agency in Chengdu, expressed the concern of his company that the project would submerge some of the historical sites and that the Zhang Fei Shrine will have to be relocated.

Although the new dam will raise the water level at Sanxia by 100 m, some officials do not share the opinion that it would spell the end of Sanxia, a popular locale for Chinese painters.

"Since Sanxia will rise at least 500 or 600 m above the water level," Chen said, "a number of scenic views will still be visible."

Opponents of the project maintain, however, that it will ruin one of the natural wonders of the world. According to an official in Sichuan, "Sanxia is something unique and, as far as I am concerned, it will no longer exist once the dam has been constructed."

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CSO: 4006/841

HONG KONG ECONOMIC TRENDS

OFFICIAL ON RETALIATION FOR JENKINS BILL

HK210307 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 21 Aug 85 p 1

[Text] Hong Kong's most senior trade official warned a group of U.S. legislators last night that passage of the Jenkins Bill would spark "rapid and damaging retaliation" against U.S. exports and aggravate relations between the developed and developing world.

Secretary for Trade and Industry Mr Eric Ho also told a dinner attended by Congressman Mr Sam Gibbons and other legislators that developing nations, many of which relied on textile exports, would be unable to earn the foreign currency they needed to buy imports or pay their debts if the Bill was passed. He said developing countries spend more than U.S.\$75 billion on U.S. merchandise exports, accounting for about 38 percent of the country's worldwide exports of that category.

Mr Ho said moves towards more curbs on imports worked against a U.S.-backed proposal of launching a new round of trade talks to halt and reverse the spread of protectionism.

The U.S., he said, had been the main force behind the Multi-Fibre Arrangement--but the Jenkins Bill was clear breach of that agreement. "It is ironic that the U.S. industry should now demand that the U.S. break international agreements made in response to the industry's pressure," he said. "Further appeasement can only bring disaster for all."

Other U.S. interests are bound to be affected if the bill, which could be voted on shortly after the current summer break in the congress ends next month, passed, Mr Ho said. "One manufacturing job out of six in the U.S. depends on exports, and these interests will be the ones to suffer as a result of enactment of the bill--so will your farmers and tobacco growers," he said.

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HONG KONG ECONOMIC TRENDS

TRADE DEPARTMENT RELEASES FACT SHEET ON JENKINS BILL

HK230533 Hong Kong SOUTH CHINA MORNING POST BUSINESS NEWS Supplement in English 23 Aug 85 p 1

[Article by Paul Baran]

[Text] Two valuable pieces of ammunition in Hong Kong's ongoing battle against rising U.S. protectionism emerged yesterday from the private and public sectors.

First was a trade department fact sheet on the Jenkins Bill that will be shown to congressmen and senators in the U.S. The second was an American Chamber of Commerce (Amcham) report that said Hong Kong's laws on the protection of intellectual property "are among the strongest in the world."

The reports' release coincides with the arrival of U.S. Senate majority leader, Mr Robert Dole, who will be buttonholed by the local business community over the implications to Hong Kong of U.S. protectionist moves.

Mr Dole, a Kansas republican, arrived yesterday, and will meet trade officials and businessmen before leaving tomorrow. Another U.S. legislator, Congressman Sam Gibbons, has been here since Tuesday making the same rounds. He also leaves tomorrow. Both visits are part of the Asian tour concentrating on America's trade with regional countries.

The Trade Department fact sheet zeroes in on six points officials feel more people in the U.S. should know:

Hong Kong is an important market for U.S. goods.

The U.S. is Hong Kong's major trading partner--America exported U.S.\$3.1 billion worth of duty-free goods to the territory last year.

The territory's imports per capita from the U.S. last year were \$557, substantially higher than the EEC's \$172, Japan's \$198, Korea's \$150, Taiwan's \$268 and Australia's \$312.

Hong Kong is an important location for U.S. interests. The fact sheet says almost 14,000 Americans live in Hong Kong, which is also home to more than 800 U.S. firms, including such heavyweights as 3M, Dow Chemical, IBM and others.

American financial firms, it says, play an active role in the financial life of the territory. There are also 126 factories owned partly or wholly by U.S. interest.

The U.S. is an important market for Hong Kong goods. The department says America accounted for \$7.9 billion of Hong Kong's domestic exports last year or 45 percent of that category's total.

Hong Kong practices free trade. The department says Hong Kong does not levy and import duties, except for revenue purposes on alcohol, tobacco, cosmetics and fuel oil.

Hong Kong's labor force is protected by legislation. Hong Kong's workers enjoy internationally recognized employee rights and are covered by labor legislation reflecting the territory's status as an International Labor Convention signatory.

Hong Kong respects international trading principles. The department says Hong Kong does not subsidize exports, and has tough intellectual property rights.

The Amcham report highlights intellectual property rights--a hot topic for the past several years on Capitol Hill--and gives Hong Kong full marks.

It notes that foreign companies have taken full advantage of the ability to register patents in Hong Kong, "of which a large proportion are registered by U.S. corporations."

Amcham says that in almost all civil infringement actions, claims against the culprits are settled early, "often on advantageous terms to the rights holders and before substantial costs can be incurred."

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HONG KONG ECONOMIC TRENDS

BANK TEAM PROBING HONG KONG BUSINESSES

HK170558 Hong Kong SOUTH CHINA MORNING POST in English 17 Aug 85 p 1

[Article by staff reporter]

[Text] A team from Beijing's People's Bank of China has been in Hong Kong for several months quietly investigating leftwing businesses, looking through the books for possible irregularities, it was learned yesterday.

It has been given almost absolute power to do what it wants but so far, no major illegal practices have been exposed among the 13 local leftwing banks and other business concerns.

Even if any were discovered, little would be made public unless and until the investigations are completed, sources said.

The tidying-up exercise is believed to be aimed at improving the functioning of the financing and banking system by China in Hong Kong, according to analysts.

The People's Bank team sent a scout group ahead to Hong Kong about three months ago, when a major probe into the Chinese Government's banking system was launched. That investigation resulted in a major change of staff at both the People's Bank of China and the Bank of China.

The former Minister of Foreign Economic Relations and Trade, Miss Chen Muhua, took over from Mr Lu Peijian as president of the People's Bank. A veteran banker who had served in Hong Kong for 18 years, Mr Wang Deyan, took over as president of the Bank of China from Mr Jin Deqin who was sacked in February for "violating discipline."

Changes were also made at lower levels. Miss Chen issued a number of directives that helped plug the leak of the bank's foreign exchange reserves.

The two major banks also sent out teams into the many provinces that had been engaged in foreign exchange deals with the outside world. Several malpractices were discovered.

At the same time, orders went out to curb indiscriminate loans, speed up recovery of surplus currency in circulation, prevent unplanned investment in capital construction and increase foreign exchange reserves.

The Beijing investigators have got a lot of leftwing groups in Hong Kong worried--from the banks and national corporations to local businesses and provincial offices set up here.

But the team's task is herculean and the probe may well involve all shades of political concerns which do business with China-connected firms.

One source said the investigations were expected to drag on for months.

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HONG KONG ECONOMIC TRENDS

CONSTRUCTION WORK VALUE FOR 1983 UP 2 PERCENT

HK190347 Hong Kong HONG KONG STANDARD in English 19 Aug 85 p 2

[Text] Hong Kong's multibillion construction industry--a barometer of the economy--gave indications of a recovery two years ago.

This is revealed in a comprehensive survey on building construction and real estate during 1983 by the Census and Statistics Department. The total gross value of construction work performed by 5,870 establishments--supported by a work force of 96,639--amounted to more than \$38.8 billion.

This is an increase of two percent over the previous year.

Expenditure by these construction firms amounted to more than \$36.6 billion.

More than 25 percent, or \$9.4 billion, was for labor cost including compensation to employees and payments for workers from labor subcontractors.

Two other major items of expenditure were \$13.7 billion on subcontract work and \$11.3 billion for the purchase of materials, supplies and industrial services.

The sluggish conditions in the construction industry is reflected in the prices which recorded the total value added at only \$12.2 billion--six percent lower than 1982.

The survey provided interesting insights into trade activity. One of which concerned 38 percent or 2,238 establishments which were engaged in renovation and maintenance of erected buildings and structures.

Most of them are small concerns accounting for just over \$2.4 billion or six percent of the total construction performed. On the other hand, the 886 general trade, contractors on construction sites accounted for 15 percent of the total number of establishments. But these concerns contributed \$28.1 billion or 72 percent of the total construction work done.

Apart from the statistics on the establishments, the survey also had data about construction sites. It recorded a total of 2,045 site contracts carried out during 1983 of which 699 were related to public works projects and 1,346 related to private construction.

The gross value of work on these sites totalled \$21.9 billion--two percent lower than 1982. This reflected much lower government spendings on new capital works during the year.

The results of the survey also told a depressing story of the real estate and property market during the year. In this sector, there were only 858 active private real estate projects and its accrued value came to only \$16.2 billion. This is a decrease of 42 percent from the year before.

There was also a decrease in business receipts for architectural, surveying and project engineering services during the year totalling just over \$19 billion--down eight percent from 1982.

The survey painted a slightly brighter picture on real estate leasing, brokerage and maintenance services. The number of persons employed in this sector with 2,062 concerns totalled 24,978--excluding those who are self-employed or private households.

Total rental income of these concerns came to over \$7.08 billion with expenditures nearly \$5 billion.

Summary statistics of this survey will be published in the July issue of the Hong Kong monthly digest of statistics. Detailed results are included in the 1983 survey report which will be available next month.

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END